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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Huishang Bank Corporation Limited\*, you should at once hand this circular, together with the accompanying proxy form and the reply slip, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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))**

**2019 ANNUAL GENERAL MEETING**

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The Annual General Meeting will be held at the Anhui Hall, 4/F, Anhui Hotel, No. 18 Meishan Road, Hefei, Anhui Province, the PRC at 9:00 a.m. on Tuesday, June 30, 2020. The notice of the Annual General Meeting is set out on pages 76 to 80 of this circular.

If you intend to appoint a proxy to attend the Annual General Meeting, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. H Shareholders should return the proxy form to Computershare Hong Kong Investor Services Limited, and Domestic Shareholders should return the proxy form to the Bank's registered office and principal place of business in the PRC respectively and in each case, in person or by post, not less than 24 hours before the time fixed for holding the Annual General Meeting (i.e. 9:00 a.m. on Monday, June 29, 2020) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Annual General Meeting or at any adjourned meeting thereof should you so wish.

If you intend to attend the Annual General Meeting in person or by proxy, you are required to complete and return the accompanying reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) or to the Bank's registered office and principal place of business in the PRC (for Domestic Shareholders) on or before Wednesday, June 10, 2020.

\* *Huishang Bank Corporation Limited 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.*

May 15, 2020

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## DEFINITIONS

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

“Annual General Meeting” or “AGM”	the 2019 annual general meeting of the Bank to be held at the Hall, 11/F, Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC at 9:00 a.m. on Tuesday, June 30, 2020
“Articles of Association”	the articles of association of the Bank that is currently in effect
“A Share(s)”	the ordinary share(s) proposed to be issued by the Bank pursuant to the A Share Offering and subscribed for in RMB
“A Share Listing Date”	the date on which the A Shares are to be listed on the Shanghai Stock Exchange
“A Share Offering”	the Bank’s proposed initial public offering of not more than 1.5 billion A Shares, which will be listed on the Shanghai Stock Exchange
“A Share Offering Plan”	the Plan on the Initial Public Offering and Listing of A Shares of Huishang Bank Corporation Limited formulated by the Bank in respect of the A Share Offering
“Bank” or “Huishang 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.
“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBRC”	the former China Banking Regulatory Commission (原中國銀行業監督管理委員會)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)

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## DEFINITIONS

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“Anhui Securities Bureau”	the Anhui Regulatory Bureau of China Securities Regulatory Commission (中國證券監督管理委員會安徽監管局)
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	ordinary share(s) issued by the Bank in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Group”	the Bank and its subsidiaries
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Share(s)”	overseas-listed foreign investment share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	May 12, 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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
“Non-public Issuance”	the Bank’s proposed non-public issuance of up to 1,735,000,000 Domestic Shares and up to 695,000,000 H Shares to specific target investors as announced on January 7, 2020
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	the Company Law of the People’s Republic of China, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“PRC Securities Law”	the Securities Law of the People’s Republic of China, as amended, supplemented or otherwise modified from time to time
“RMB”	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
“Share(s)”	ordinary share(s) of the Bank, consisting of the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	the shareholder(s) of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank

Unless otherwise specified in this circular, the currency used in this circular shall be Renminbi.

The translated English names for the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like included in this circular and for which no official English translation exists are unofficial translations for identification purposes only. In case of inconsistency in such case, the Chinese name shall prevail.

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## LETTER FROM THE BOARD

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### Huishang Bank Corporation Limited\*

### 徽商银行股份有限公司\*

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

**(Stock Code: 3698 and 4608 (Preference Shares))**

*Executive Directors:*

Mr. Wu Xuemin (*Chairman*)  
Mr. Zhang Renfu (*President*)  
Mr. He Jiehua

*Non-executive Directors:*

Mr. Zhu Yicun  
Mr. Yan Chen  
Mr. Wu Tian  
Mr. Qian Dongsheng  
Mr. Gao Yang  
Mr. Wang Wenjin  
Mr. Zhao Zongren

*Independent non-executive Directors:*

Mr. Dai Peikun  
Ms. Zhou Yana  
Mr. Liu Zhiqiang  
Mr. Yin Jianfeng  
Ms. Huang Aiming

*To the Shareholders*

Dear Sir or Madam,

*Registered office and principal  
place of business in the PRC:*

Block A, Tianhui Building  
79 Anqing Road  
Hefei  
Anhui Province  
the PRC

*Principal place of business in  
Hong Kong:*

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

## 2019 ANNUAL GENERAL MEETING

### I. INTRODUCTION

The Bank will convene the Annual General Meeting on Tuesday, June 30, 2020, and proposes the following resolutions at the meeting:

- (1) the final financial accounts for 2019;
- (2) the financial budget for 2020;

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## LETTER FROM THE BOARD

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- (3) the profit distribution plan for 2019;
- (4) the appointment of external auditors of the Bank for 2020;
- (5) the Work Report of the Board of Directors for 2019;
- (6) the Work Report of the Board of Supervisors for 2019;
- (7) the determination of the remuneration standard for executive Directors of the Bank for 2018;
- (8) the determination of the remuneration standard for the former chairman of the Board of Supervisors of the Bank for 2018;
- (9) the election of Mr. Zhai Shengbao as an external supervisor of the fourth session of the Board of Supervisors;
- (10) the election of Mr. Zhou Zejiang as an external supervisor of the fourth session of the Board of Supervisors;
- (11) the general mandate for the issuance of Shares;
- (12) the extension of the validity period of the A Share Offering Plan; and
- (13) the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering;

Items (1) to (10) are ordinary resolutions, and items (11) to (13) are special resolutions.

Apart from the consideration of the aforementioned resolutions, the Shareholders will be debriefed by the Bank at the AGM in respect of the Report on Related Party Transactions for 2019, the Duty Report by the Independent Non-executive Directors for 2019, the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Board and the Directors for 2019, the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Supervisors for 2019 and the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Senior Management and its Members for 2019.

The purpose of this circular is to incorporate the notice of the AGM, and to provide you with details regarding the resolutions mentioned above.

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## LETTER FROM THE BOARD

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### II. MATTERS TO BE RESOLVED AT THE AGM

#### (I) Regular Matters to be Resolved at the AGM

##### 1. Final Financial Accounts for 2019

The final financial accounts for 2019 have been completed by the Bank in accordance with the relevant regulations. Based on the audited financial statements for the year ended December 31, 2019 prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards respectively, the final financial accounts of the Bank for 2019 are as follows:

As of the end of 2019, the total assets were RMB1,131.721 billion, an increase of 7.73% from last year, amounting to 99.10% of the total assets in the budget. As of the end of 2019, the total liabilities were RMB1,042.228 billion, an increase of 6.32% from last year, amounting to 97.86% of the total liabilities in the budget. In 2019, the net profit was RMB10.062 billion, an increase of 13.56% from last year, amounting to 104.65% of the net profit in the budget.

In 2019, the non-performing loan ratio was 1.04%, keeping consistent as compared with the end of last year and maintaining within the annual planned value of 1.5%; the provision coverage ratio of non-performing loan was 303.86%, representing an increase of 1.64 percentage points from last year and 1.64 percentage points higher than the annual planned value; the allowance-to-loan ratio was 3.15%, keeping consistent as compared with last year and in line with the annual planned value.

In 2019, the core Tier 1 capital adequacy ratio was 8.85%, representing an increase of 0.48 percentage point from last year and 0.82 percentage point higher than the annual planned value; the Tier 1 capital adequacy ratio was 10.85%, representing an increase of 1.67 percentage points from last year and 0.84 percentage point higher than the annual planned value; and the capital adequacy ratio was 13.21%, representing an increase of 1.56 percentage points from last year and 0.94 percentage point higher than the annual planned value.

For details of the financial information of the Group for the year ended December 31, 2019 audited in accordance with the International Financial Reporting Standards, please refer to the financial statements in the 2019 annual results announcement published by the Bank on March 31, 2020 and in the 2019 annual report despatched to the Shareholders by the Bank on April 23, 2020.



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## LETTER FROM THE BOARD

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### 2. Financial Budget for 2019

According to the Bank's strategic development and need for business expansion, the Bank plans to make capital expenditures for total budgets amounting to a total of RMB1,524 million in 2020, representing a decrease of RMB151 million compared to that in 2019, representing a year-on-year decrease of 9.01%, of which:

- (1) The total investment in fixed assets is RMB1,383 million, including:
  - (a) RMB649 million for operating premises;
  - (b) RMB586 million for technology investments;
  - (c) RMB79 million for office furniture, equipment and cashier facilities;
  - (d) RMB66 million for equipment for security and defense; and
  - (e) RMB2 million for transportation facilities.
- (2) The total investment in long-term deferred expenses is RMB141 million.

### 3. Profit Distribution Plan for 2019

In 2019, the Bank realised an audited net profit of RMB9,540.14 million for the whole year. For the end of 2019, the Bank's core Tier 1 capital adequacy ratio was 8.82%, close to the regulatory red line. With the continuous development of the Bank's businesses and the participation in the initial establishment of a commercial bank and acquisition of part of assets and liabilities of other banking financial institution in 2020, the consumption of the Bank's core Tier 1 capital will further expand. Up to now, the Bank has not yet submitted the application materials for IPO on the A Share market and it is reasonably expected that it is unable to replenish its core Tier 1 capital by issuance of A shares. However, in return to shareholders' support for the Bank in the long run and taking fully into account the Bank's current operation situation, financial condition, requirements of the regulatory authority on the capital adequacy ratio and the sustainable development of the Bank, the Bank proposes the following profit distribution plan for 2019:

- (1) RMB954.014 million is to be appropriated to the statutory surplus reserve; RMB1,085.917 million is to be appropriated to the general risk reserve; and RMB954.014 million is to be appropriated to the discretionary surplus reserve, with a remaining distributable profit for the year of RMB6,546.195 million.
- (2) The proposed total dividend for 2019 amounts to RMB1,908.304 million (tax inclusive), accounting for approximately 20% of the audited net profit of the Bank for 2019. A cash dividend of RMB1.57 (tax inclusive) for every 10 shares is calculated based on the total share capital of 12,154,801,211 shares of the Bank at

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## LETTER FROM THE BOARD

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the end of 2019. When the total share capital has changed on the equity register date of dividend payment as a result of that there is increased share issuance prior to this date, the corresponding adjustments shall be made to dividend per share assuming the aggregate dividend declaration remains unchanged.

- (3) Upon the completion of the implementation of the aforesaid profit distribution plan, the possible special dividend as mentioned in the circular of the Bank dated May 15, 2019 for the 2018 annual general meeting will not be distributed.

In order to determine the Shareholders who are entitled to receive the proposed final dividend of 2019, the register of members of the Bank will be closed from Tuesday, July 7, 2020 to Sunday, July 12, 2020 (both days inclusive). In order to be entitled to the aforementioned final dividend (subject to the approval of the Shareholders), unregistered H Shareholders of the Bank shall lodge relevant share transfer documents 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 for registration no later than 4:30 p.m. on Monday, July 6, 2020.

#### **4. Appointment of External Auditors for 2020**

In order to meet the business development requirements of the Bank and facilitate the operation of the Bank in compliance with laws and regulations, the Board proposes to the AGM to reappoint Ernst & Young Hua Ming LLP (Special General Partnership) as the external auditor for domestic auditing of the relevant financial statements of the Bank for 2020 in accordance with the China Accounting Standards, and also proposes the re-appointment of Ernst & Young as the overseas auditor of the Bank in 2019 for providing audit services on the financial statements in accordance with the International Financial Reporting Standards, each with a term commencing on the date on which the relevant resolution is passed at the 2019 Annual General Meeting until the date of conclusion of the 2020 annual general meeting of the Bank, and the Board is authorized to determine the remunerations of the external auditors.

The services to be provided by the external auditors mainly include annual auditing, reviewing the interim report, annual audit under the China Accounting Standards, verification against audit/review reports, making special audit and statement in relation to share issuance, issuing letters of undertakings in respect of the quotation of relevant auditing reports for the purpose of the issuance of financial bonds and capital verification.

#### **5. Work Report of the Board of Directors for 2019**

The full text of the Work Report of the Board of Directors for 2019 is set out in Appendix I to this circular.

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## LETTER FROM THE BOARD

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### 6. Work Report of the Board of Supervisors for 2019

The full text of the Work Report of the Board of Supervisors for 2019 is set out in Appendix II to this circular.

### 7. Determination of the Remuneration Standard for the Executive Directors of the Bank for 2018

In accordance with the requirements of the relevant documents of interim measures for administration of the remuneration of responsible officers of provincial financial enterprises and Government of Anhui on consolidating the remuneration reform of the responsible officers of state-owned enterprises, the Anhui Provincial Department of Finance issued the Approval of the Anhui Provincial Department of Finance Concerning the Remuneration of Responsible Officers of Huishang Bank Corporation Limited for 2018 (Wan Cai Jin [2020] No. 199) in March 2020, to approve the remuneration standard (excluding tenure incentives for the year) for executive Directors of the Bank for 2018 as follows:

*Unit: RMB0'000*

Positions	Name	Remuneration standard	Note
Executive Director, Chairman	Wu Xuemin	53.22	–
Executive Director, President	Zhang Renfu	53.22	–
Former Executive Director, Former Vice President	Ci Yaping	43.09	Retired in July 2019

*Notes:*

- 1. The income mentioned above is pre-tax income.*
- 2. The remuneration of responsible officers of the Bank shall be approved by the Anhui Provincial Department of Finance on an annual basis. Therefore, the remuneration standard for the executive Directors of the Bank for 2019 and the years afterwards may be changed.*

### 8. Determination of the Remuneration Standard for the Former Chairman of the Board of Supervisors of the Bank for 2018

In accordance with the requirements of the relevant documents of interim measures for the administration of remuneration of responsible officers of provincial financial enterprises and Government of Anhui on consolidating the remuneration reform of the responsible officers of state-owned enterprises, the Anhui Provincial Department of Finance issued the Approval of the Anhui Provincial Department of Finance Concerning the Remuneration of Responsible Officers of Huishang Bank Corporation Limited for 2018 (Wan Cai Jin [2020] No. 199) in March 2020, to approve the remuneration standard (excluding tenure incentives) for Mr. Zhang Youqi, the former chairman of the Board of Supervisors of the Bank, for 2018 as follows:

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## LETTER FROM THE BOARD

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The remuneration standard for the former chairman of the Board of Supervisors of the Bank for 2018 is as follows:

*Unit: RMB0'000*

<b>Position</b>	<b>Name</b>	<b>Remuneration standard</b>	<b>Note</b>
Former Chairman of the Board of Supervisors	Zhang Youqi	47.58	–

*Notes:*

- 1. The income mentioned above is pre-tax income.*
- 2. The remuneration of responsible officers of the Bank shall be approved by the Anhui Provincial Department of Finance on an annual basis. Therefore, Mr. Zhang Youqi's remuneration standard for 2019 and the years afterwards may be changed.*

### **9. Election of Supervisors**

Reference is made to the announcement of the Bank dated October 14, 2019 in relation to the resignation of Ms. Pan Shujuan as an external Supervisor of the Bank, with effect from the date upon the formal appointment of her succeeding external Supervisor.

The nomination committee of the Board of Supervisors held a meeting on March 24, 2020, at which it was resolved to nominate Mr. Zhai Shengbao and Mr. Zhou Zejiang as candidates for external Supervisors of the fourth session of the Board of Supervisors of the Bank, respectively.

As approved at the meeting of the Board of Supervisors of the Bank convened on March 27, 2020, the Board of Supervisors proposed to elect Mr. Zhai Shengbao and Mr. Zhou Zejiang as external Supervisors of the Bank.

Biographies of Mr. Zhai Shengbao and Mr. Zhou Zejiang are as follows:

Mr. Zhai Shengbao, born in November 1976, holds a doctorate degree in Accounting from Dongbei University of Finance and Economics, an instructor of doctorate students, postdoctor in business administration at Peking University and a national leading accountant. He is currently the dean of the School of Accounting of Anhui University of Finance and Economics, and concurrently serves as the executive member and deputy secretary-general of the Finance Cost Branch of the Accounting Society of China, and chairman of the board of supervisors of the Anhui Institute of Internal Auditors; vice chairman of the Accounting Society of Anhui Province, independent directors of Wuxi Smart Auto-control Engineering Co., Ltd., Bethel Automotive Safety Systems Co., Ltd., and Anhui Zhongding Sealing Parts Co., Ltd. (already tendered the resignation application on March 11, 2020).

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## LETTER FROM THE BOARD

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Mr. Zhou Zejiang, born in November 1983, from Zongyang, Anhui, holds a doctorate degree in Accounting from Xiamen University. He is currently a professor at School of Business, an instructor of postgraduates in accounting, and an instructor of doctoral students in finance (corporate finance and capital market) of Anhui University, and concurrently a communication evaluation expert of projects under the National Natural Science Foundation of China and the National Philosophy and Social Science Foundation, a member of the review committee of senior accountants of Anhui Province and a member of the Accounting Society of Anhui Province. He also serves as an independent director of Guoyuan Securities Company Limited, Wuhu Conch Profiles and Science Co., Ltd., Anhui Ankai Automobile Co., Ltd., Anhui JoYin Information Technology Co., Ltd. and Earth-Panda Advance Magnetic Material Co., Ltd. He served as independent directors of Anhui Annada Titanium Industry Co., Ltd. and Anhui Anke Biotechnology (Group) Co., Ltd.

The terms of office of Mr. Zhai Shengbao and Mr. Zhou Zejiang as Supervisors will be consistent with that of the fourth session of the Board of Supervisors from the date of approval at the AGM until the re-election of the fourth session of the Board of Supervisors. The external Supervisors of the Bank receive their remuneration from the Bank, and the remuneration standards are determined in accordance with the relevant requirements.

To the knowledge of the Board of the Bank, save as disclosed above, Mr. Zhai Shengbao and Mr. Zhou Zejiang did not hold any directorship in any listed companies (other than the Bank) or any other positions in the subsidiaries of the Bank during the previous three years, and they do not have any relationship with any other Directors, Supervisors, senior management or substantial shareholders (as defined in the Listing Rules) of the Bank. As of the Latest Practicable Date, Mr. Zhai Shengbao and Mr. Zhou Zejiang do not hold any interests in the shares of the Bank and its associated corporations within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters relating to the appointment of Mr. Zhai Shengbao and Mr. Zhou Zejiang that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, nor are there any other matters that need to be brought to the attention of the Shareholders of the Bank.

### **10. General Mandate for the Issuance of Shares**

In order to keep the capital adequacy ratio constantly at the required level, meet the capital requirements of the Bank for its continuous business development, utilize financing platforms effectively and flexibly and take advantage of the capital market windows in a timely manner, in accordance with the applicable laws and regulations of the PRC, the Listing Rules and the Articles of Association of the Bank and upon the consideration and approval by the Board, the general mandate for the issuance of Shares by the Bank and the delegation of authorizations by the Board are now proposed at the general meeting for Shareholders' approval.

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## LETTER FROM THE BOARD

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Details of the general mandate are set out as below:

(I) *Specific plans on the general mandate to issue Shares*

- (1) Subject to the conditions set out in (2) below, the Board is hereby authorized to approve, allot, issue, grant and/or otherwise deal with Shares (overseas-listed foreign shares and/or Domestic Shares (including A Shares)), securities convertible into Shares, options and warrants that carry rights to subscribe for any Shares or securities that are convertible into Shares, or other securities with rights to subscribe for or convert to Shares, separately or at the same time during the Relevant Period (as defined below).

Notwithstanding the fulfillment of the conditions set out in (2) below, if the allotment of voting shares will result in a *de facto* change of control of the Bank, the Board shall separately obtain authorization by way of a special resolution in advance before making such an allocation.

- (2) The number of Shares (overseas-listed foreign shares and/or Domestic Shares (including A Shares)), securities convertible into Shares, options and warrants that carry rights to subscribe for any Shares or securities that are convertible into Shares, or other securities with rights to subscribe for or convert to Shares (which shall be calculated on the basis of the number of overseas-listed foreign shares/Domestic Shares that such securities can be converted into/be allotted) proposed to be approved, allotted, issued, granted and/or otherwise dealt with by the Board shall not exceed 20% of each category of the overseas-listed foreign shares and the Domestic Shares issued of the Bank as of the date on which this resolution is passed at the Annual General Meeting.
- (3) For the purpose of this resolution:

“Relevant Period” means the period from the date on which the special resolution is passed at the general meeting until the earliest of:

- (a) the conclusion of the next annual general meeting of the Bank following the date of passing of the resolution; (b) the expiration of twelve months following the date of passing of the resolution at a general; or (c) the date on which the authority granted to the Board under the resolution is revoked or varied by a special resolution of the Shareholders at a general meeting.

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## LETTER FROM THE BOARD

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- (4) The Board is hereby authorized to determine the details of the issuance plan, including but not limited to: (a) the class and number of Shares proposed to be issued; (b) the pricing basis and/or the offer price (including the price range); (c) the date of opening and closing of the issuance; (d) the specific use of the proceeds raised; (e) the recommendation, agreement and share options to be made or granted for the exercise of the said power; and (f) other content to be included in the detailed issuance plan as required by the relevant laws and regulations and other normative documents, the relevant regulatory authorities and the stock exchange of the listing jurisdiction.
- (5) The Board is hereby authorized to implement the issuance plan and deal with the matters related to an increase in the registered capital of the Bank so as to reflect the Shares authorized to be issued by the Bank under this matter, and to make such amendments as it deems appropriate and necessary to the provisions related to the issuance of Shares and registered capital in the Articles of Association, and to adopt and complete any other actions and procedures that are necessary for the implementation of the issuance plan and completion of the increase in the registered capital of the Bank.

### *(II) Matters relevant to the Mandate*

In order to enhance the efficiency of decision-making, reduce internal approval procedures and take the advantage of market opportunities, in respect of the general mandate to issue Shares, it is proposed to the Board and in turn to the general meeting to approve the authorization to the Board and any persons authorized by the Board to deal with the matters in connection with the general mandate to issue Shares. The specific details of the mandate given to the authorized persons above will be separately determined upon the exercise of the general mandate by the Board under this resolution. The limit of the general mandate in the Relevant Period will be used solely based on the actual issue of shares approved by the Board during such period.

### *(III) Other matters*

To avoid any doubt, the terms “Shares” and “securities” under this resolution do not include preference shares.

## **(II) Matters Relating to the A Share Offering**

References are made to the Shareholders’ circular and the notice of 2018 annual general meeting (the “**2018 AGM**”) dated May 15, 2019 and the poll results of the 2018 AGM dated June 30, 2019 of the Bank in relation to, among others, the Bank’s proposed A Share Offering, and resolutions related thereto were considered and approved at the 2018 AGM.



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## LETTER FROM THE BOARD

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In order to further optimise the corporate governance structure, develop domestic and international financing platforms and improve the liquidity of all Shares held by the Shareholders, the Bank proposes to issue no more than 1,500,000,000 A Shares in accordance with the requirements of the relevant laws, regulations and regulatory documents, such as the PRC Company Law, the PRC Securities Law, and the Measures for the Administration of Initial Public Offering and Listing of Shares (首次公開發行股票並上市管理辦法) and the Opinions of the CSRC on Further Promoting the IPO System Reform (中國證監會關於進一步推進新股發行體制改革的意見) issued by the CSRC, and as considered and approved by the Board. All proceeds raised from the A Share Offering, after deduction of the listing expenses, will be used to replenish the core tier 1 capital of the Bank so as to enhance its capital adequacy ratio.

After obtaining the Shareholders' approval of the A Share Offering at the 2018 annual general meeting held on June 30, 2019, the Bank had engaged professional advisers to commence the preparation for the A Share Offering. It filed a registration application for the pre-listing tutorship record-keeping for an initial public offering of A shares and domestic listing (首次公開發行A股股票並在境內上市的輔導備案登記) in respect of the A Share Offering to the Anhui Securities Bureau in 2019 and the pre-listing tutoring is still in progress. Meanwhile, the Bank is participating in the reform and reorganisation of Baoshang Bank. To minimize the immediate impact of aforesaid matters on the Bank's core tier 1 capital adequacy ratio and supplement the core tier 1 capital promptly and efficiently, the Bank proposes the Non-public Issuance of up to 1,735,000,000 Domestic Shares and up to 695,000,000 H Shares to specific target investors. Please refer to the Bank's announcements dated January 7, 2020 and March 19, 2020 for further details. The Bank plans to complete the Non-public Issuance within 2020. Pursuant to applicable PRC regulatory requirements, such as the Measures for the Administration of Initial Public Offering and Listing of Shares (首次公開發行股票並上市管理辦法) and Q&A on the Initial Public Offering Review of Non-financial Knowledge (首發審核非財務知識問答), there should not be any substantial change in shareholding structure of the Bank during the CSRC vetting process of vetting the A Share Offering. Therefore, the Bank will complete the Non-public Issuance before filing the listing application to the CSRC. The Bank will concurrently work on the A Share Offering preparation, including due diligence, auditing, the CSRC pre-listing filings, drafting prospectus and preparing application materials. According to its latest working plan for the A Share Offering, the Bank will make its best effort to file the listing application to the CSRC in the first half of 2021. It is expected that the CSRC vetting process will take one to two years to complete. To ensure the on-going proceeding of the A Share Offering, the Bank proposes to extend the validity period of the A Share Offering Plan and the Authorization Resolution (as defined below) for another 12 months. In any event that the A Share Offering is not completed upon the expiration of the extended validity period, the Board may seek the Shareholders' the approval(s) for further extension of the validity period for the A Share Offering Plan and the Authorization Resolution at Shareholders' meetings as and when necessary.



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### **11. Extension of Validity Period of A Share Offering Plan**

The A Share Offering Plan has been considered and approved by way of a special resolution at the 2018 AGM. Given that the A Share Offering is still in progress and the 12-month validity period specified in the A Share Offering Plan will expire on June 29, 2020, to ensure the on-going proceeding of the A Share Offering, the Bank proposes to extend the validity period of the A Share Offering Plan for 12 months from the date immediately following the expiry of the original validity period, being an extended period from June 30, 2020 to June 29, 2021). The remaining contents of the A Share Offering Plan will remain unchanged. The full text of the A Share Offering Plan is set out in Appendix III to this circular.

Under the A Share Offering Plan, the maximum number of the proposed issuance of A Shares represents approximately 17.29% of the Domestic Shares and approximately 12.34% of the total Shares in issue of the Bank as of the Latest Practicable Date. Subject to the passing of the resolution in respect of the general mandate to issue Shares by the Bank at the AGM, the Bank expects to issue the A Shares by way of exercising the general mandate. The Bank's existing Domestic Shares in issue will be converted into domestic listed Shares on the A Share Listing Date.

### **12. Extension of the Validity Period of the Authorization to the Board to Deal with Specific Matters in respect of the A Share Offering**

The resolution on the authorization to deal with specific matters in respect of A Share Offering (the “**Authorization Resolution**”) has been considered and approved as a special resolution at the 2018 AGM. Considering the relevant work on the A Share Offering is still proceeding, and however, the 12-month validity period specified in the Authorization Resolution will expire on June 29, 2020, to ensure the on-going proceeding of A Share Offering, the Bank proposes to extend the validity period of the Authorization Resolution for 12 months from the date immediately following the expiry of the original validity period, (namely, the extended period from June 30, 2020 to June 29, 2021). The remaining contents of the Authorization Resolution will remain unchanged. The full text of the resolution on the authorization to the Board to deal with specific matters in respect of the A Share Offering is set out in Appendix IV to this circular.

In addition, as resolved by the Board, the Board agreed to delegate the authorization to the chairman (and the authorized person of the chairman) to deal with matters related to the A Share Offering, subject to the approval of the above authorization by the general meeting.

### **(III) Impact of the A Share Offering on the Shareholding Structure of the Bank**

Subject to the passing of the resolution in respect of the general mandate to issue Shares by the Bank at the AGM, the Bank expects to issue the A Shares by way of exercising the general mandate. Assuming (1) a total of 1,500,000,000 A Shares are issued under the A Share Offering, (2) there are no changes to the ordinary share capital in issue of the Bank prior to the completion of the A Share Offering, and (3) the number of Shares held by the substantial

## LETTER FROM THE BOARD

shareholders (as defined in the Listing Rules) of the Bank remains unchanged, the shareholding structures of the ordinary Shares of the Bank as of the Latest Practicable Date and immediately after the completion of the A Share Offering are set out as follows:

Shareholders	As of the Latest Practicable Date		Immediately after completion of the A Share Offering	
	Number of ordinary Shares <sup>(Note 1)</sup>	Approximate percentage of the Bank's issued share capital	Number of ordinary Shares <sup>(Note 2)</sup>	Approximate percentage of the Bank's issued share capital
<b>Domestic Shares<sup>(Note 3)</sup></b>				
Shanghai Song Ching Ling Foundation (“SCL Foundation”) <sup>(Note 4)</sup>	224,781,227	1.85%	224,781,227	1.65%
Anhui Province Energy Group Company Limited (“Anhui Energy Group”) <sup>(Note 5)</sup>	1,016,908,444	8.37%	1,016,908,444	7.45%
Domestic Shares held by public and to be converted into A Shares upon completion of the A Share Offering <sup>(Note 6)</sup>	7,434,361,540	61.16%	7,434,361,540	54.45%
A Shares to be newly issued under the A Share Offering	–	–	1,500,000,000	10.99%
<b>Subtotal</b>	<b>8,676,051,211</b>	<b>71.38%</b>	<b>10,176,051,211</b>	<b>74.52%</b>
<b>H Shares</b>				
SCL Foundation <sup>(Note 4)</sup>	1,245,864,400	10.25%	1,245,864,400	9.12%
Anhui Energy Group <sup>(Note 5)</sup>	329,973,600	2.71%	329,973,600	2.42%
H Shares held by the public	1,902,912,000	15.66%	1,902,912,000	13.94%
<b>Subtotal</b>	<b>3,478,750,000</b>	<b>28.62%</b>	<b>3,478,750,000</b>	<b>25.48%</b>
<b>Total</b>	<b>12,154,801,211</b>	<b>100%</b>	<b>13,654,801,211</b>	<b>100%</b>

Notes:

- The Bank has distributed a dividend to the Shareholders whose names appeared on the register of members of the Bank on Wednesday, July 11, 2018 on a pro rata basis of 1 share for every 10 shares (the “**Bonus Issue**”) pursuant to its 2017 profit distribution plan. For details, please refer to the circular dated April 13, 2018 and the announcement dated July 2, 2018 of the Bank. The number of Shares held by the Shareholders of the Bank as of the Latest Practicable Date represents the number of Shares held by the Shareholders of the Bank after the Bonus Issue.

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2. As of the Latest Practicable Date, the Bank has issued 44,400,000 offshore preference shares with a par value of RMB100 per share. Pursuant to the Articles of Association of the Bank, the holders of offshore preference shares of the Bank are not entitled to convene and attend any general meeting of the Bank or vote at any general meeting of the Bank, except as stated in the terms and conditions of the offshore preference shares. If any trigger event occurs, the offshore preference shares may be converted into H Shares in accordance with the conversion terms. For further details, please refer to the announcements of the Bank dated November 3, 2016, November 10, 2016 and August 30, 2018. The shareholding structure of the ordinary Shares after the completion of the A Share Offering does not take into account the impact of any trigger event, resulting in the mandatory conversion of preference shares to Shares, might have on the ordinary share capital of the Bank.
3. Upon completion of the A Share Offering, all existing Domestic Shares in issue will be converted into A Shares.
4. According to the disclosure of interests forms submitted to the Hong Kong Stock Exchange by SCL Foundation and its affiliates and as shown on the register of members of Domestic Shares of the Bank, and taking into account the increased numbers of Shares held by the Shareholders of the Bank after the Bonus Issue, as of the Latest Practicable Date, Zhongjing Xinhua Asset Investment Management Co., Ltd. (中靜新華資產管理有限公司) (“**Zhongjing Xinhua**”), Zhongjing Xinhua Property Management (Hong Kong) Co., Limited (中靜新華資產管理香港有限公司) (“**Zhongjing Xinhua HK**”), Wealth Honest Limited (“**Wealth Honest**”) and Golden Harbour Investments Management Limited (“**Golden Harbour**”) currently directly hold 224,781,227 Domestic Shares, 273,449,000 H Shares, 532,415,400 H Shares and 440,000,000 H Shares of the Bank, respectively; Zhongjing Xinhua HK, Wealth Honest and Golden Harbour are subsidiaries of Zhongjing Xinhua; Zhongjing Xinhua, Zhongjing Sihai, Zhongjing Xinhua HK, Wealth Honest and Golden Harbour are controlled corporations of SCL Foundation, and therefore SCL Foundation is deemed to be interested in the Shares of the Bank held by the aforementioned companies. SCL Foundation and the aforementioned companies are core connected persons of the Bank, and their holdings of the Bank’s H Shares are not regarded as being held by the public.
5. According to the disclosure of interests forms submitted to the Hong Kong Stock Exchange by Anhui Energy Group and its affiliates, the register of members for Domestic Shares of the Bank and as informed by the email from Anhui Energy Group, as at the Latest Practicable Date, Anhui Energy Group, Anhui Province Wenergy Company Limited (“**Anhui Wenergy**”), Xing An Holdings Limited (“**Xing An Holdings**”) and Anhui Province Natural Gas Development Co., Ltd. (“**Anhui Natural Gas**”) currently hold 843,363,819 Domestic Shares, 150,814,726 Domestic Shares, 329,973,600 H Shares and 22,729,899 Domestic Shares of the Bank, respectively; Anhui Wenergy, Xing An Holdings and Anhui Natural Gas are the controlled corporations of Anhui Energy Group. Accordingly, Anhui Energy Group is deemed to have interests in the Shares of the Bank held by the above-mentioned companies. Anhui Energy Group and the above-mentioned companies are core connected persons of the Bank, and their holdings of the Bank’s H Share are not regarded as being held by the public. Assuming the number of Shares held by Anhui Energy Group and its controlled corporations or their shareholding remain unchanged after the Latest Practicable Date till the completion of the A Share Offering, then upon completion of the A Share Offering, the number of Shares of the Bank held by Anhui Energy Group and its controlled corporations will represent less than 10% of the total issued share capital of the Bank. As a result, such companies will cease to be core connected persons of the Bank and their holdings of the Bank’s H Shares would be regarded as being held by the public.
6. To the best of the knowledge of the Board and according to the latest information received by the Bank, as of the Latest Practicable Date, the Bank has more than 16,300 holders of Domestic Shares, and no single holder of Domestic Shares holds 10% or more of the total issued ordinary share capital of the Bank.
7. Any discrepancies between the total percentages and sum of items shown in the table are due to rounding.

The Bank did not carry out any fund-raising activity in connection with issuance of share capital within the 12 months immediately preceding the Latest Practicable Date, except for that the Bank proposes the Non-public Issuance to be completed within 2020. Based on publicly available information and to the knowledge of the Directors, as of the Latest Practicable Date, the public float of the Bank is approximately 15.66%, which is lower than the minimum as required under Rule 8.08 of the Listing Rules. According to the resolutions of the Board, the

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Bank is making its best effort to restore the public float by way of the A Share Offering as soon as possible. According to its latest working plan for the A Share Offering, it aims to file the listing application to the CSRC in the first half of 2021. Assuming that (1) a total of 1,500,000,000 A Shares are issued under the A Share Offering, (2) there are no changes to the ordinary share capital in issue of the Bank prior to the completion of the A Share Offering, and (3) the number of Shares held by the substantial shareholders (as defined in the Listing Rules) of the Bank remains unchanged, approximately 89.25% of the Bank's enlarged share capital will be held by the public immediately after the completion of the A Share Offering.

### **(IV) Explanation of Other Matters**

The relevant matters of the A Share Offering are subject to the Shareholders' approval at the AGM, and the approvals given by the securities regulatory authorities (including the CSRC), the CBIRC and other relevant regulatory authorities (including related stock exchanges). The A Share Offering Plan should be subject to the final plan as approved by the regulatory authorities. The existing Domestic Shares in issue will be converted into domestically listed shares upon the completion of the A Share Offering. The Bank has submitted the tutoring and filing materials for an initial public offering to Anhui Securities Bureau in 2019, and such tutoring is currently in progress. The time of the completion of the Bank's A Share Offering will depend on domestic policies for the offering and listing of A Shares, the time required for approval and the actual condition in the domestic capital market. Therefore, as of the Latest Practicable Date, the time for completion of the A Share Offering could not be fully determined. Nevertheless, the Bank will actively proceed with the A Share Offering.

In determining the issue price of the A Shares, the Bank will take into full account the interests of the existing Shareholders as a whole, and the actual conditions of the capital market and the Bank at the time of the A Share Offering. When determining the issue price, the Bank will consider the following major factors: (i) the Bank's operating and financial conditions; (ii) current market conditions; (iii) market demand for the A Shares; (iv) the industry in which the Bank operates; (v) applicable laws and regulations; and (vi) the average P/E ratio of other A-share listed banks in the industry. The PRC regulatory authorities and industry self-regulation organizations of the securities industry, including the CSRC and the Securities Association of China, have imposed regulations on the pricing and related disclosure of initial public offering of the A shares, such as the Administrative Measures on Securities Issuance and Underwriting (證券發行與承銷管理辦法), the Initial Public Offering Underwriting Business Code (首次公開發行股票承銷業務規範) and the Detailed Implementation Rules for the Offline Issuance of IPO Stocks in the Shanghai Stock Market (2018 Revised) (《上海市場首次公開發行股票網下發行實施細則(2018年修訂)》). According to such regulations, the lead underwriter(s) and the Bank can determine the issue price of the A Shares by making enquiries with offline investors. The lead underwriter(s) and the Bank will determine the issue price after the initial enquiry results or determine the issue price through cumulative bidding quotation after the range of the issue price is determined through the initial enquiry. During the process, the lead underwriter(s) will carry out book-building in respect of the quotations of offline investors, and record the subscription prices and subscription number of offline investors, and will determine the issue price or range of issue price according to the result of book-building. The Bank will also refer to the Administrative Measures for the Transfer of State-owned Assets

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of Financial Enterprises (金融企業國有資產轉讓管理辦法) (No. 54 of the Ministry of Finance of the PRC) and ensure that the issue price will not be lower than the latest audited net asset per Share of the Bank on the date of determining the price. As of December 31, 2019, the Bank's audited net asset value per Share was RMB5.86. Since the A Share Offering may be priced after release of the Bank's audited net asset value per Share of the Bank as of December 31, 2020, the above data is for reference only. In addition, the Bank will comply with the requirements under Rule 13.36(5) of the Listing Rules. The A Shares to be issued under the general mandate will have a price that will not deviated from the applicable benchmark price determined in accordance with Rule 13.36(5) of the Listing Rules by more than 20%.

**However, the A Share Offering may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares of the Bank. Further details of the A Share Offering will be provided by the Bank in due course.**

### III. THE AGM

The Bank will convene the AGM at the Anhui Hall, 4/F, Anhui Hotel, No. 18 Meishan Road, Hefei, Anhui Province, the PRC at 9:00 a.m. on Tuesday, June 30, 2020 to consider and pass resolutions where appropriate in respect of the matters set out in the notice. A proxy form and a reply slip will be dispatched to the Shareholders in accordance with the Listing Rules. The notice of the AGM is set out on pages 76 to 80 of this circular.

Whether or not you intend to attend and/or vote at the AGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon. If you intend to attend the AGM, you are required to complete and return the accompanying reply slip to the H share registrar (for H Shareholders) or the registered office and principal place of business of the Bank in the PRC (for Domestic Shareholders) on or before Wednesday, June 10, 2020. The reply slip may be delivered by hand, by post or by fax to the H share registrar (for H Shareholders) or the registered office and principal place of business of the Bank in the PRC (for Domestic Shareholders). Completion and return of the proxy form will not preclude a Shareholder from attending and voting at the AGM or any adjournment thereof, nor will completion and return of the reply slip preclude a Shareholder from attending and voting at the AGM or any adjournment thereof.

### IV. RECOMMENDATIONS

The Board considers that the resolutions to be proposed at the AGM are in the interests of the Bank and the Shareholders as a whole and accordingly recommends that the Shareholders vote in favor of all the resolutions to be proposed at the AGM as set out in the notice of the AGM.

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## LETTER FROM THE BOARD

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### V. ADDITIONAL INFORMATION

Apart from the consideration and approval of the aforementioned resolutions, Shareholders will be debriefed by the Bank in respect of the Report on Related Party Transactions for 2019 (which is set out in Appendix V to this circular), the Duty Report by the Independent Non-executive Directors for 2019 (which is set out in Appendix VI to this circular), the Supervisory and Appraisal Report by the Board of Supervisors on the Performance of Duties by the Board and Directors for 2019 (which is set out in Appendix VII to this circular), the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Supervisors for 2019 (which is set out in Appendix VIII to this circular) and the Supervisory and Appraisal Report by the Board of Supervisors on the Performance of Duties by the Senior Management and its Members for 2019 (which is set out in Appendix IX to this circular) .

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

Hefei, Anhui Province, the PRC  
May 15, 2020

\* *Huishang Bank Corporation Limited 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.*

In 2019, with significantly increasing risks and challenges in operation and the continuously deepening of the influence of the “three-period superimposition”, there has been a significant increase in risk points. The overall economy in Anhui and Jiangsu remained stable on the whole, but the pressures on economic downturn, industrial upgrading and potential risks have been increasing. Facing the challenges, the Board of Directors always maintained its strategic focus, focused on its main business, made improvement while maintaining stability and sought “opportunities” amid “crisis”. It performed responsibilities and duties, earnestly implemented the resolutions of the general meeting, continuously improved corporate governance, actively promoted capital replenishment, focused on enhancement of internal control and risks control, conducted information disclosure in accordance with laws, consistently enhanced strategic management and advanced the high-quality development and construction of Huishang Bank, achieving outstanding operating results and realizing the work target on stable development.

As at the end of 2019, the Bank recorded total assets of RMB1,131.7 billion (in domestic and foreign currencies), representing an increase of 7.7% as compared with the beginning of the year; balance of customer deposits of RMB593.8 billion, representing a year-on-year increase of 4.9%; balance of corporate deposits of RMB384.6 billion, ranking first in Anhui Province for 12 consecutive years; personal financial assets under management (AUM) reaching over RMB300 billion; net profit of RMB10.062 billion, representing a year-on-year increase of 13.57% and exceeding RMB10 billion for the first time; ROE and ROA remaining stable at approximately 15% and over 0.9%; non-performing loan ratio of 1.04% and provision coverage ratio of 303.86%; capital adequacy ratio meeting regulatory requirements.

The major work report for 2019 is presented as follows:

## I. CONTINUOUSLY IMPROVING CORPORATE GOVERNANCE

**Firstly, the Bank fully completed the re-election of the Board of Directors.** Through continuous efforts, the first meeting of the fourth session of the Board of Directors was convened in January 2019, at which the chairman, members and chairmen of 5 special committees were elected, thus fully completing the re-election of the Board of Directors. Meanwhile, the appointment of members of new senior management was completed, laying a more solid foundation for the high-quality development of the Bank. To consistently improve the organizational structure of the Board of Directors and special committees, the Bank completed the appointment of 2 directors through legal procedures and made adjustments to 5 members of 3 special committees, namely the Strategic Development and Consumer Rights Protection Committee, the Risk Management Committee and the Related Party Transaction Control Committee, successively in the previous year to continuously optimize the organizational structure of the Board of Directors and improve the effectiveness of the performance of the Board of Directors. **Secondly, the Bank consistently improved the corporate governance system.** It completed the amendments to the Articles of Association and incorporated relevant requirements of the Interim Measures for administration of the Shareholding Management of Commercial Banks into the Articles of Association to further define the rights and obligations of Shareholders. The Bank completed the amendments to and



formulation of over ten systems and measures, including the Rules of Procedure of General Meetings and the Rules of Procedure of the Board of Directors, providing strong system guarantee for improving the corporate governance system. **Thirdly, the Bank conducted decision-making to maintain the effectiveness of the performance.** In 2019, the Board of Directors held 12 meetings, at which 121 proposals were considered and reviewed; and 31 special committee meetings, at which 111 proposals were considered and reviewed, covering material decisions regarding the current and future operation and development of Huishang Bank including development strategies, operation plans, financial budget (final accounts), significant related party transactions, formulation of systems and A-share IPO. In the previous year, the Board of Directors held the 2018 annual general meeting according to the Articles of Association, at which 30 proposals were considered and approved, including the A-share listing, profit distribution, the election of Directors and other significant matters. **Fourthly, the Bank implemented the performance assessment on Directors and senior management.** It completed the performance assessment on Directors and senior management for 2018 and applied the assessment results in the calculation of remuneration for 2018. It also implemented and intensified the incentive and constraints mechanism.

## II. ACTIVELY PROMOTING CAPITAL REPLENISHMENT

**Firstly, the Bank vigorously promoted the A-share listing.** In 2019, the Bank actively promoted the A-share IPO and established the leading group on A-share listing, the special working group on listing and the office for the listing work to pool the efforts of the whole Bank to promote the A-share listing. Based the work plans, it completed most due diligence and obtained compliance certificates issued by more than 100 governmental departments; completed the preparation of the audit report for the three years and one period and the application report and the prospectus, the work report of legal counsel and the review report on asset appraisal have been generally completed; and continuously advanced communications with regulatory authorities, laying a solid foundation for the A-share listing. **Secondly, the Bank completed other tier 1 capital replenishment of RMB10 billion.** To maintain the capital adequacy ratio and actively expand capital replenishment channels, the Bank applied other tier 1 capital replenishment instruments and successfully issued capital bonds with no fixed maturities of RMB10 billion to replenish other tier 1 capital. **Thirdly, the Bank studied and determined the Capital Replenishment Plan of Huishang Bank for 2019-2021.** It studied and determined the target in the management of the capital adequacy of the Bank with continuously meeting regulatory requirements as the bottom line and maintaining certain safety margin and buffer as the basic targets. The plan made capital replenishment arrangements through exogenous and endogenous channels.



### III. CONSISTENTLY ENHANCING INTERNAL CONTROL AND RISK MANAGEMENT

**Firstly, the Bank consistently improved internal control.** It considered and approved the Appraisal Measures on Internal Control of Huishang Bank to further regulate the internal control and appraisal and promote the construction of the internal control system. It earnestly conducted the internal control evaluation during the year. According to the Basic Norms of Internal Control for Enterprises and relevant requirements, it evaluated the effectiveness of the internal control of Huishang Bank for 2018, covering all subsidiaries and branches and 9 major lines of business such as corporate business and including 7 aspects such as asset quality management and control. Through internal control evaluation, it advanced the gradual improvement of the internal control system. **Secondly, the Bank focused on enhancing risk management.** It considered and approved the Resolution on Amendments to the Liquidity Risk Management of Huishang Bank, reviewed the Measures on Management of Large-sum Risk Exposure of Huishang Bank, studied and determined the guideline on risk management policies and statements of risk preference of Huishang Bank for 2019. It regularly conducted analysis and studies on risk monitoring and appraisal, stress tests on liquidity risks, compliance risks and credit risks and urged the senior management to earnestly implement the requirements on overall risk management.

### IV. CONDUCTING INFORMATION DISCLOSURE ACCORDING TO LAWS

**Firstly, the Bank completed the disclosure of the 2018 annual report and the 2019 interim report.** In accordance with the relevant domestic and foreign regulations, the Bank appointed external auditors to carry out the audit work in accordance with laws. It completed the preparation of the annual report and the interim report, covering the operating results, corporate governance, internal control, financial statements and other significant information. Through results conferences and roadshows as well as the websites of the Bank and the Hong Kong Stock Exchange and other channels, it disclosed the annual report, the interim report and audit reports in a timely manner to provide investors and other stakeholders with convenient channels to fully learn about information on the operation and development of the Bank. **Secondly, the Bank carefully disclosed information on significant matters.** Throughout 2019, the Bank disclosed a total of over 70 information announcements and disclosed significant information on the election of chairman, the amendments to the Articles of Association, the convening of general meetings and operating results to investors and in domestic and overseas markets, fully safeguarding the right to information of investors and other stakeholders.

### V. CONTINUOUSLY IMPROVING STRATEGIC MANAGEMENT

2019 is the final year of five-year development strategy plan for 2015-2019 formulated by Huishang Bank. After 5 years of stable development, its main strategic indicators such as operating revenue, net profit, total assets, deposits and loans have exceeded the planned amount, realizing the strategic objective of “building a mainstream bank serving the local economy and social development in all respects and becoming a first-tier city commercial bank”.

In order to continuously strengthen the strategic leadership, the Board of Directors considered and approved the 2020-2022 Strategic Development Plan of Huishang Bank in 2019. The strategic plan fully studied the opportunities and challenges faced by Huishang Bank, deeply analyzed its own advantages and disadvantages and determined its strategic positioning in the following 3 years. With high-quality development as the main line, the Bank has comprehensively promoted the implementation of the “One Body, Two Wings (一體兩翼)” action plan, and vigorously developed six financial service strategies, namely “people’s livelihood finance, industrial finance, technology finance, green finance, inclusive finance and poverty alleviation finance” as the main drivers to serve the real economy and cultivate new growth point. The Bank has established six business systems, namely investment banking, trading banking, private banking and wealth management, asset management, mobile finance and digital banking, to provide comprehensive and integrated financial services for clients. The Bank focuses on its six management systems of corporate governance, comprehensive risk management, internal control, internal supervision, scientific and technological management, remuneration and expenses management, to consolidate the management foundation. On the basis of maintaining a reasonable scale and appropriate growth rate, the Bank has promoted the high-quality transformation of development mode, profit mode, marketing mode, management mode and risk control mode by taking improving efficiency and quality as the core, realized the coordinated development of assets scale, structure, quality, efficiency, customers and services, and initially built a modern bank with high-quality development.

To achieve the implementation of the strategies above, the Board of Directors guided the management to promote the implementation of the following six measures: Firstly, focusing on promoting connotative development. The Bank took the sustainable development path of capital-saving, innovation-driven and connotation-based growth, to realize the organic unity of speed, quality and efficiency. Secondly, consistently strengthening efforts in serving the real economy. With supporting the supply-side structural reform as main line and serving the five major development action plans in Anhui Province as guideline, the Bank adhered to serving the real economy to consolidate its customer base. Thirdly, constantly promoting balanced development. The Bank promoted a balanced liability structure in respect of the cost, stability and maturity, as well as based on the need for liquidity management. Fourthly, emphasizing the promotion of healthy and sound development. With a risk appetite featuring “prudence, rationality and soundness”, the Bank improved a multi-level, interlinking and well-balanced risk management system, established a risk appetite and risk limit management framework in line with the development strategy and optimized risk management procedures to basically establish a comprehensive risk management system covering all lines of business, all branches and subsidiaries, all types of risks, and the management process such as decision making, implementation and supervision. Fifthly, continuously consolidating the foundation for sustainable development. The Bank adapted to the requirements for modern banking development and continuously improved the basic management ability and level by implementing responsibility system, improving efficiency and controlling risks. Sixthly, increasing efforts in transformation led by technology. The Bank conducted traditional business online and strengthened cross-channel collaboration between online and offline and the integration of service resources by taking mobile finance as a breakthrough point, to actively carry out cross-border cooperation with an open and win-win attitude.

The year of 2020 is the first year of the new five-year development strategic plan of Huishang Bank. The Board of Directors will take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as our guideline to perform its duties faithfully and diligently, consistently advance the improvement of corporate governance, enhance strategic leadership and improve risk management and control. It will further intensify its efforts in serving the real economy, and through digital transformation, to further promote the implementation of its three major strategies, namely, “deposit as the foundation, technology as the growth driver, and talent as the strength builder”. Upholding the principle of making improvement while maintaining stability, consolidating its foundation and acting responsibly, it will strive to become a modern bank with high-quality development, and make its contributions to the building of a moderately prosperous society in all respects.

In 2019, with the support and cooperation of the Board of Directors and the senior management of the Bank, the Board of Supervisors firmly focused on the general operation, management and development of the Bank, performed statutory duties according to laws and regulations, strengthened the supervision on key sectors, consistently expanded the width and depth of supervision and further improved methods and fulfilled supervisory functions, effectively playing the role of the Board of Supervisors in corporate governance.

## **I. MAJOR WORKS DURING 2019**

(I) Basing upon the general high-quality development of the Bank and earnestly conducting supervision on key sectors with internal control risks. In 2019, the Board of Supervisors, based on its own responsibilities and duties, was supervision-centric by solidly executing supervision over key areas, such as internal control, risk management and financial management, fully promoting and guaranteeing the high-quality development of the Bank.

- 1. Vigorously conducting supervision on internal control management.** The Board of Supervisors carefully audited the report on internal control appraisal, studied and proposed audit opinions in a timely manner and made suggestions on further enhancing appraisal on corporate governance and reputational risks prevention and other work. Feedbacks have been given on relevant comments and suggestions. The Board of Supervisors paid close attention to issues spotted in tour inspections, external regulation and internal and external audits and their rectifications as well as the accountability. It actively participated in the evaluation and rectification on relevant internal control issues required in regulatory inspections and regulatory interviews and consistently promoted the construction of the internal control mechanisms and systems.
- 2. Deeply conducting supervision on risk management.** Through attending relevant meetings of the Risk and Internal Control Management Committee and the Assets and Liabilities Management Committee, the Board of Supervisors considered risk management policies, portfolio risk quota management system and other systems, established and improved major public opinions and risk events monitoring records to follow and monitor the changes in key operational risk indicators. It gave risk warning on supervision with the focus on the disposal and management of non-performing assets and consolidated financial statements and proposed comments and suggestions on coordinated monitoring on credit and non-credit businesses, strengthening unified management of risks on large-scale credit customers and conducting unified credit granting and pass-through credit granting. Meanwhile, it focused on key regulatory areas, and strived to strengthen regulation on risks on interbank businesses, the protection of consumers' rights and interests, anti-money laundering and other sectors to promote the enhancement of the overall risk management.

3. **Solidly conducting financial management and supervision. Firstly, carefully reviewing and considering annual reports and other regular reports.** It organized the review of the 2018 annual report and the 2019 interim report, focused on the operation of profitability indicators such as ROA and ROE, and attached importance to potential risks on balance of non-performing loans, public float and other indicators. It also proposed suggestions for work on capital replenishment planning, strengthening coordinated management of assets and liabilities, highlighting interbank risks, strictly preventing imported risks, dissolving problematic assets in an orderly way and improving assets quality. **Secondly, enhancing capital management appraisal.** It paid close attention to the implementation of capital supplement planning, conducted appropriate supervision on fund-raising, capital consumption, capital adequacy ratio and other indicators and focused on promoting the continuous improvement in the efficiency of capital use to ensure that the capital adequacy ratio meets regulatory requirements. **Thirdly, strengthening supervision on the standard financial activities.** It regularly reviewed reports on financial budgets and final accounts with the focus on the completion of revenue and quality indicators and whether the liquidity and other regulatory indicators meet the targets. It also learnt about significant financial decision-making and the trend of changes in operation and proposed comments and suggestions on the standard financial operation and the effectiveness of financial activities, promoting the continuous quality and efficiency improvement in financial management activities.

(II) Actively following and implementing regulatory requirements and practically fulfilling corporate governance and other statutory supervisory responsibilities. In 2019, the Board of Supervisors carefully performed the responsibilities authorized by laws and regulations as well the Articles of Association of the Bank, strictly implemented regulatory requirements, fully displayed the function of meetings of the Board of Supervisors for issues discussion and organized performance supervision and appraisal in an orderly manner to promote the improvement of the corporate governance mechanism and the corporate governance level.

1. **Continuously improving the efficiency in regular supervision on issues discussion.** The Board of Supervisors carefully organized the convening of meetings of the Board of Supervisors and special committees. A total of 20 meetings were held in 2019, including 9 meetings of the Board of Supervisors, 3 meetings of the Nomination Committee and 8 meetings of the Supervisory Committee, at which 34 proposals and reports were considered, 30 reports were reviewed and 8 relevant matters were reported. The frequency of meetings met the regulatory requirements, with meeting procedures meeting laws, regulations and regulatory requirements. The Board of Supervisors attended and participated in on-site meetings of the Board of Directors and its special committees, office meetings and brief meetings of the management as well as other meetings of the Bank, focused on strengthening process

supervision on decision-making and issues discussion and proposed comments and suggestions to the establishment of internal control systems and overall risk prevention and control, effectively performing supervisory responsibilities.

- 2. Conducting in-depth evaluation of supervision over duty performance.** The Board of Supervisors integrated daily supervision and appraisal with annual supervision and appraisal and held meetings with Shareholders' representatives, branch presidents, and the responsible persons of the head offices and affiliates, respectively, where comments and suggestions were solicited from the Board of Directors, directors, senior management and their members. Based on self-appraisal, mutual appraisal and reference to annual duty report, the Board of Supervisors conducted objective appraisal on the implementation of resolutions of general meetings, compliance with laws and regulations and other duty performance by the Board of Directors, senior management, the Board of Supervisors and their members as well as the operation and management results and formulated appraisal reports. Upon being considered and approved at the meetings of the Board of Supervisors, they were given feedbacks and filed with the annual general meeting and regulatory authorities. Meanwhile, to enhance the efficiency of supervision, the Board of Supervisors established the supervision mechanism for feedbacks on comments and suggestions in an innovative manner. It reported the implementation of comments and suggestions in the previous year at the performance appraisal meeting of the year and preliminarily formed a closed-loop tracking and accountability mechanism of "proposing suggestions-rectification and implementation-regular feedback", promoting the effective implementation of relevant comments and suggestions.
- 3. Continuously enhancing supervision and appraisal on strategic implementation.** The Board of Supervisors organized appraisal on the implementation of the strategies for the previous year, formulated special appraisal reports and proposed specific suggestions on the study, formulation and implementation of the new round of strategic plans, focusing the effective connection of strategic plans, optimizing the transmission mechanism between strategies and the implementation efficiency and focusing the coordinated integration of the implementation of strategies and the construction of corporate culture in a timely manner. It also made feedbacks to the Board of Directors according to procedures.
- 4. Organizing the audit of the economic liabilities of the senior executives.** In accordance with the Bank's Articles of Association and the Interim Measures for the Audit of the Economic Responsibilities of Executive Directors and Senior Management by the Board of Supervisors of Huishang Bank (Amended), the Board of Supervisors organized the audit of the economic liabilities of Yi Feng and Xia Min, a former assistants to president, Chen Hao,

former chief information officer and Ci Yaping, former vice president, of the Bank, objectively evaluating their performance of economic liabilities during their respective tenure. Combined with the actual work and job requirements, it put forward specific audit recommendations and gave feedbacks to relevant reports according to procedures.

(III) Innovating ways of duty performance and further expanding the width and depth of supervision. In 2019, based on the study and analysis of the characteristics of the operation situation and the trends of business development, the Board of Supervisors focused on key points in the reform and development of the Bank and conducted targeted researches, supervisions and inspections to comprehensively and deeply understand the situation and consistently improve the level and efficiency of supervision.

1. **Exploring in conducting special supervisions and inspections on the quality of internal audit.** To further display the function of the internal control system of the Bank as the “third line of defense” in the internal audit of the Bank, the Board of Supervisors innovatively carried out special supervisions and inspections on the quality of internal audit, formulated detailed work plans and established special working groups on special inspection. Through exchanges, interviews, questionnaires, on-site and off-site inspections and other means, the Board of Supervisors comprehensively and deeply carried out objective analysis on the internal audit of the Bank and formed the special supervision and inspection report. The report comprehensively and objectively appraised the achievements in internal audit of the Bank, and further focused on key work in internal audit, improvement of internal control appraisal, optimization of the allocation of internal audit resources, strengthening the operation of results and improvement of the linkage mechanism on internal supervision. Feedbacks have also been given according to procedures.
2. **Deeply conducting special researches.** The Board of Supervisors carried out special researches at eight outlets of Huinong branch and financial service centers in Lujiang County and Changfeng County to deeply understand the current operation and management of outlets for inclusive finance as well as their problems and difficulties. It studied and proposed certain countermeasures and formed special reports. The Board of Supervisors launched special research on Jinzhai Huiyin Rural Bank Co., Ltd., Huishang Bank Financial Leasing Co., Ltd. and Wuwei Huiyin Rural Bank Co., Ltd. to have a detailed understanding on the operation and management of affiliates under local regional and financial environment as well as their difficulties and problems. It also conducted in-depth analysis and research on further enhancing strategic management, improving the development model, strengthening corporate governance and the management of shareholders’ activities as well as preventing significant customer risks and proposed



working suggestions on strengthening consolidated financial statements management, strategic business synergy, integrated marketing, liquidity management, capital supplementing as well as intensifying the Party construction of affiliates to further improve the management of affiliates.

3. **Organizing and conducting special seminars.** To implement the development deployment of the Bank on poverty alleviation financial work, the special seminar of “Comprehensive Financial Reform in Rural Areas and Practice of Inclusive Finance of Huishang Bank” was held in Jinzhai. On the basis of fully understanding the comprehensive financial reform in rural areas in Jinzhai and the practice of the Bank in participation in reform, it focused on “how to further perform the functions of the Board of Supervisors, better practice the concept of inclusive finance and serve the development of real economy” and conducted in-depth discussion and communications, which further expanded the width and depth of duty performance by the Board of Supervisors and promoted the organic integration of duty performance by the Board of Supervisors and the full-domain operation and development.

(IV) Constantly enhancing self-development and continuously building up capabilities to perform duties. It initiatively adapted to the requirements under the new situation and consistently enhanced self-development of the Board of Supervisors through enhancing trainings, systems establishment and other channels to improve the level and efficiency in duty performance.

1. Enhancing the development of systems. Firstly, improving relevant rules of procedures. According to the corporate governance requirements for commercial banks and relevant regulatory requirements, the Board of Supervisors organized and revised the rules of procedure of the Board of Supervisors and working rules of special committees, thus further improving relevant working procedures and mechanisms. To meet regulatory requirements and coordinate in promoting the A-shares IPO of the Bank and with reference to the practice of other banks and the actual conditions of the Bank, the Board of Supervisors organized and revised the Rules of Procedure of the Board of Supervisors (A+H) and submitted it to the annual general meeting for consideration and approval. **Secondly, improving relevant systems on performance evaluation.** To implement the opinions on regulatory inspections, the Board of Supervisors organized and revised the Performance Appraisal Measures of the Board of Supervisors on the Board of Directors and Directors and the Performance Appraisal Measures on the Board of Supervisors and Supervisors in a timely manner, which further highlighted the targeted and efficient performance appraisal from the sound organizational structure, the sufficient performance time, the standard performance procedures, sufficient due diligence and other dimensions. Meanwhile, in accordance with the Administrative Measures on the Remuneration of Senior Management and relevant systems, the Board of Supervisors organized and formulated the



Measures on Performance Appraisal of Supervisors, providing systems and regulations on the scientific and effective implementation of appraisal on Supervisors. **Thirdly, further regulating performance procedures.** In order to further standardize the appointment of third-party professional institutes by the Board of Supervisors of the Bank, it organized and formulated the Administrative Measures on the Appointment of Third-Party Professional Institutes, which proposed specific requirements on relevant access conditions, selection procedures, prohibition situations and cooperation standards and effectively guaranteed the standard performance of duties by the Board of Supervisors.

2. **Organizing and conducting studies and trainings.** Based on the actual work and the situation, the Board of Supervisors organized and held inspections and seminars on practice of inclusive finance as well as trainings for Supervisors. It arranged Supervisors to participate in trainings on general knowledge on A-share listing, the operation and management of commercial banks, corporate governance, key audit points in annual reports and working requirements on internal control and provided targeted tutoring on knowledge about A-share IPO to Supervisors, assisted Supervisors, newly-appointed Supervisors in particular, to learn about the Articles of Association of the Bank and regulatory requirements as well as understand and master the latest regulatory policies and requirements, which further broadened regulatory horizons and improved the professional quality.

## **II. INDEPENDENT OPINIONS FROM THE BOARD OF SUPERVISORS ON RELEVANT MATTERS**

- (I) **The operation in compliance with laws.** During the Reporting Period, the Bank's business management activities were in compliance with the Company Law, other relevant laws and regulations and regulatory requirements and the relevant provision of the Articles of Association of the Bank, the Board's decision-making procedures were standardized, and the content was legal and compliant; the senior management conducted business management activities in accordance with laws and regulations, the authorization of the Board of Directors, and the rules and regulations of the Bank.
- (II) **The actual facts of the financial report.** The 2019 financial report of the Bank had been audited by Ernst & Young in accordance with IFRS and a standard unqualified audit report had been issued. The Board of Supervisors concluded after review that the financial report reflected the Bank's financial activities and operating results in a true, objective and accurate manner.
- (III) **Related party transaction.** During the Reporting Period, the Board of Supervisors did not identify any related party transaction in the Bank that harmed the interests of the shareholders and the Bank.

- (IV) **Internal control.** During the Reporting Period, the Bank strived to put internal control as its priority, strictly implemented regulatory requirements, actively built a scientific, coordinated, and efficient internal monitoring system, comprehensively promoted interbank business reform, optimized non-credit asset business risk control processes, continued to consolidate the achievements of chaos rectifying, conducted activities including “Better Quality Year” and “Case Warning Education” and further strengthened the construction of internal control system.
- (V) **Risk management.** During the Reporting Period, the Bank adhered to categorizing policies, addressing both root causes and symptoms, focused on the implementation of responsibilities, strengthening risk management and control in key areas, improving the risk management organizational structure, orderly advancing the risk dispatch system, improving the risk management system, optimizing risk management processes, and innovating and upgrading risk management tool, continued to promote the construction of a comprehensive risk management system. All regulatory indicators remain continuous and stable, the overall risk situation is controllable, and new achievements have been made in high quality development.
- (VI) **Implementation of resolutions of shareholders’ general meetings.** The Board of Supervisors has no objection to the reports and proposals submitted by the Board of Directors of the Bank to the shareholders’ general meetings for consideration in 2019, supervised the implementation of the resolutions of the shareholders’ general meetings, and was of the view that the Board of Directors and the senior management have well implemented the relevant resolutions of shareholders’ general meetings.

The full text of the A Share Offering Plan is set out as follows:

- I. **CLASS OF SHARES:** RMB ordinary shares (A Shares)
- II. **NOMINAL VALUE PER SHARE:** RMB1.00
- III. **PROPOSED STOCK EXCHANGE FOR THE LISTING:** Shanghai Stock Exchange.
- IV. **OFFERING SIZE:** Subject to the regulatory requirements of the place of listing regarding the minimum offering size, the number of A Shares to be issued shall not exceed 1.5 billion shares. The number of A Shares to be issued will be adjusted accordingly upon the occurrence of events including bonus issue and the conversion of capital reserve to share capital prior to the A Share Offering. All A Shares will be issued as new shares. The actual total offering size will be determined based on capital requirements of the Bank, its communications with the regulatory authorities and the prevailing market conditions at the time of the offering.
- V. **TARGET SUBSCRIBERS:** Target subscribers will be qualified individuals and institutional investors (except those prohibited by the relevant PRC laws, regulations, normative documents and other regulatory requirements applicable to the Bank).  
  
If any of the above target subscribers of the A Share Offering is a connected person of the Bank, the Bank will take all reasonable measures to comply with the relevant listing rule requirements of the jurisdictions in which its shares are listed.
- VI. **STRATEGIC PLACING:** The Bank may carry out strategic placings of part of its Shares at the time of the A Share Offering to investors who satisfy the requirements under applicable laws and regulations and the development strategy of the Bank based on the needs for business cooperation and scale of financing. The specific placing ratio will be determined according to the requirements of laws and regulations and subject to market conditions at the time of such placing.
- VII. **MODE OF OFFERING:** The offering will be conducted through a combination of strategic placings to A Share Strategic investors, placings to target subscribers at a price to be determined between the Bank and the subscriber on an offline basis, and offerings to qualified public investors online at a fixed price, or through any other offering methods as authorized by the CSRC.
- VIII. **PRICING METHODOLOGY:** Taking into full account the interests of the existing Shareholders as a whole, and the actual conditions of the capital markets and the Bank at the time of the A Share Offering, the issue price of the A Shares will be fixed through making enquiries with offline investors or fixed directly through negotiations between the lead underwriter(s) and the Bank, or by any other legally practicable methods.<sup>Note 1</sup>

**IX. FORM OF UNDERWRITING:** The shares to be issued under the A Share Offering will be underwritten by an underwriting syndicate led by a lead underwriter on a standby commitment basis.

**X. CONVERSION INTO A JOINT STOCK COMPANY WITH LIMITED LIABILITY WITH DOMESTIC AND OVERSEAS LISTED SHARES:** According to the plan for the A Share Offering and taking into account the fact that the Bank has issued H Shares in the H Share market, the Bank will make an application to convert itself into a joint stock company with limited liability with domestic and overseas listed shares, subject to regulatory requirements.

**XI. TERM OF THE OFFERING PLAN:** The plan for the A Share Offering shall be valid for 12 months from the date of approval at general meeting.<sup>Note 2</sup>

*Note 1* The Bank will determine the issue price pursuant to the applicable PRC regulations. For details, please refer to section headed “II. Matters to be Resolved at the AGM – (IV Explanation of Other Matters)” in the Letter from the Board of this circular.

*Note 2* Upon the conclusion of the AGM, the validity period of the Offering Plan will be extended to June 29, 2021.

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## APPENDIX IV AUTHORIZATION IN RELATION TO THE A SHARE OFFERING

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For the purposes of the A Share Offering, a resolution is being proposed by the Board at the AGM to resolve to authorize the Board to determine and deal with the matters in connection with the A Share Offering, including but not limited to:

- I. Amending and improving the A Share Offering Plan and organizing its implementation based on the regulatory requirements or comments of the regulatory authorities in and out of China and subject to market conditions, including but not limited to determining the offering size, offer price, important undertakings of the Bank, potential strategic placings (including placing ratio and target subscribers), time and method of the offering, specific allocation for the use of proceeds, and other specific matters relating to the implementation of the A Share Offering Plan; making corresponding adjustments (including the suspension and termination of the implementation of the offering plan) to matters in relation to the concrete plan of the A Share Offering as a result of changes in laws, regulations or regulatory documents with respect to the A Share Offering, or changes in policies of regulatory authorities in connection with the A Share Offering, or changes in market conditions, save for those matters required to be voted on again at a general meeting under the requirements of the relevant laws, regulations, regulatory documents and the Articles of Association.
- II. Handling the procedures for the review and examination, registration, filing, approval and consent with the regulatory authorities in and out of China in connection with matters relating to the A Share Offering according to the A Share Offering Plan; signing, executing, amending and completing all necessary documents to be submitted to any governments, authorities, organizations and individuals in or out of China with respect to the A Share Offering; designating an account specifically for the holding of any proceeds prior to the A Share Offering, if required; issuing statements and undertakings relating to the A Share Offering, and taking such steps as are necessary, expedient or appropriate with respect to the A Share Offering.
- III. Drafting, amending, signing, submitting, publishing, disclosing, implementing, suspending or terminating any agreements, contracts, announcements, circulars or other documents relating to the A Share Offering (including but not limited to the prospectus, listing documents, sponsorship agreements, underwriting agreements, listing agreements, intermediary service agreements and others); engaging sponsors, underwriters, law firms, accounting firms, receiving banks and other intermediaries in connection with the A Share Offering; determining and paying expenses relating to the A Share Offering.

- IV. Making any amendments to the Articles of Association and other corporate governance documents which have been considered and approved at general meetings and Board meetings due to the needs of the A Share Offering and pursuant to the domestic or foreign laws, regulations and other regulatory documents as a result of any changes in the domestic or foreign laws, regulations and other regulatory documents and based on the requirements and advice of the relevant government agencies and regulatory authorities in or out of China, and the actual situation of the A Share Offering; making corresponding amendments to the Articles of Association with respect to the registered capital and shareholding structure of the Bank, dealing with capital verification, share custody, lock up of shares and other formalities and handling the filing and registration procedures with company registration authorities and other relevant government departments upon completion of the A Share Offering, and dealing with matters in relation to the application for the listing of A Shares on a securities exchange.
  
- V. Handling the procedures in relation to the approval, filing and change of registration in connection with any change of the registered capital of the Bank with the banking supervision institution, the department in charge of industrial and commercial administration and other relevant regulatory authorities according to the actual situation of A Share Offering.
  
- VI. Handling any other matters which the Board thinks are necessary, expedient or appropriate for the A Share Offering, subject to the relevant domestic and foreign laws and regulations.
  
- VII. Delegating other Directors or relevant persons to deal with, individually or jointly, any matters relating to the A Share Offering as and when needed.
  
- VIII. Implementing procedures related to the A Share Offering of the Bank, including but not limited to the application for the issuance of shares to and reply to feedback comments to China Securities Regulatory Commission, and submitting the listing application to the stock exchange upon successful issuance.

This authorization shall be valid for 12 months from the date of its passing at the general meeting. Upon the conclusion of the AGM, the validity period of the Offering Plan will be extended to June 29, 2021.

Pursuant to the requirements of the Administrative Measures for Related Party Transactions between Commercial Banks and Their Insiders and Shareholders, the Interim Measures for the Equity Management of Commercial Banks and the relevant guidelines and rules of the Bank, the details of the related party transactions of the Bank in 2019 are as follows:

## I. RECENT RELATED PARTY TRANSACTIONS

The related party transactions of the Bank mainly involve ordinary on-and off-balance sheet bank businesses such as loans, acceptances and check-discounting. As at the end of 2019, the aggregated balance of the related party transactions of the Bank amounted to RMB28,841,000,000.

(I) **Related party transactions with related legal persons.** As at the end of 2019, the related legal persons involved in related party transactions mainly included Anhui Energy Group Co., Ltd., Anhui Guoyuan Financial Holding Group Co., Ltd., Anhui Transportation Holding Group Co., Ltd., Anhui Credit Guaranty Group Co., Ltd., Sunshine Insurance Group Corporation Limited, China Vanke Co., Ltd., Chery Huiyin Motor Finance Service Co., Ltd., Huishang Bank Financial Leasing Co., Ltd., Hefei Xingtai Financial Holdings (Group) Co., Ltd., Wuhu Construction Investment Co., Ltd., Anhui Publishing Group Co., Ltd., Jinzhai Huiyin Village and Township Bank Co., Ltd. and Shanshan Group Co., Ltd., with an aggregated balance of RMB28,317,000,000.

- Anhui Energy Group Co., Ltd.** Anhui Energy Group Co., Ltd. is a related party of the Shareholders of the Bank. The members of the related parties who have outstanding related party transactions with the Bank include Anhui Xinneng Electric Technology Co., Ltd. (安徽省新能電氣科技有限公司) and Anhui Wenergy Company Limited (安徽省皖能股份有限公司). The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the relevant provisions. As at the end of 2019, Anhui Xinneng Electric Technology Co., Ltd. (安徽省新能電氣科技有限公司) had a balance of domestic guarantees of RMB204,700; and the Bank invested in the bonds of RMB30,000,000 issued by Anhui Wenergy Company Limited (安徽省皖能股份有限公司).
- Anhui Guoyuan Financial Holding Group Co., Ltd.** Anhui Guoyuan Financial Holding Group Co., Ltd. is a related party of the Shareholders of the Bank. The members of the related parties who have outstanding related party transactions with the Bank include Anhui Micro-Refinancing Co., Ltd., Guoyuan Securities Company Ltd., Changsheng Fund Management Company Limited, Anhui Guoyuan Trust Company Ltd., Guoyuan Agricultural Insurance Co., Ltd., Wuhu Guoxin Hotel Co., Ltd. (蕪湖國信大酒店有限公司) and Anhui GuoYuan Investment Co., Ltd. The Bank considered the abovementioned companies as related parties and managed the transactions with them as related



party transactions in accordance with the relevant provisions. As at the end of 2019, Anhui Micro-Refinancing Co., Ltd. had a balance of working capital loans of RMB200,000,000 and the Bank invested in its asset-backed securities of RMB30,000,000. The Bank invested in the bonds of RMB2,720,000,000 underwritten by Guoyuan Securities Company Ltd. The Bank received custodian fees of RMB6,213,700 for the asset management plans from Guoyuan Securities Company Ltd., paid a management fee of RMB4,671,400 for the asset management plans and an interest of RMB1,283,300 for interbank deposit receipts. The Bank received custodian fees of RMB9,602,600 for the trust plans of Anhui Guoyuan Trust Company Ltd. and paid trustee fees of RMB2,000,000 and a management fee of RMB270,500 for the asset management plans. Fees for agency sales services for funds of RMB1,600 have been received from Changsheng Fund Management Company Limited. The Bank received insurance brokerage fees of RMB10,800 from Guoyuan Agricultural Insurance Co., Ltd. and purchased various insurance of RMB574,800 from Guoyuan Agricultural Insurance Co., Ltd. Reception fees of RMB1,700 has been paid to Wuhu Guoxin Hotel Co., Ltd. (蕪湖國信大酒店有限公司). A housing rental fee of RMB90,000 has been paid to Anhui GuoYuan Investment Co., Ltd. The Bank entered into bonds reverse repo transactions with Changsheng Fund Management Company Limited, receiving interest of RMB919,200.

3. **Anhui Transportation Holding Group Co., Ltd.** Anhui Transportation Holding Group Co., Ltd. is a related party of the Directors of the Bank. The members of the related parties who have outstanding related party transactions with the Bank include Anhui Transportation Holding Group Co., Ltd., Anhui Expressway Finance Lease Co., Ltd. (安徽高速融資租賃有限公司), Anhui Transportation Group Automobile Sales Co., Ltd. (安徽交運集團汽車銷售有限公司), Anhui Transport Consulting & Design Institute Co., Ltd. (安徽省交通規劃設計研究總院股份有限公司), Anhui Zhongxing Engineering Supervision Co., Ltd. (安徽省中興工程監理有限公司), Anhui Expressway Broadcasting Co., Ltd. (安徽高速廣播有限公司), Anhui Expressway Media Co., Ltd., Anhui Expressway Real Estate Group Co., Ltd. (安徽省高速地產集團有限公司), Wanjiang Financial Leasing Co., Ltd. and Anhui Expressway Network Operations Company Limited (安徽省高速公路聯網運營有限公司). The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the relevant provisions. As at the end of 2019, Anhui Transportation Holding Group Co., Ltd. had a balance of fixed-asset loans of RMB284,375,000. Anhui Expressway Finance Lease Co., Ltd. (安徽高速融資租賃有限公司) had a balance of working capital loans of RMB48,000,000. Anhui Transportation Group Automobile Sales Co., Ltd. (安徽交運集團汽車銷售有限公司) had a balance of bank acceptance bills of RMB4,425,700. Anhui Transport Consulting & Design Institute Co., Ltd. (安徽省交通規劃設計研究總院股份有限公司) had a balance of domestic guarantees of RMB24,947,300. Anhui Zhongxing Engineering Supervision Co., Ltd (安徽省中興工程監理有限公司)



had a balance of domestic guarantees of RMB15,543,100. Wanjiang Financial Leasing Co., Ltd. had a balance of inter-bank borrowings of RMB1,400,000,000 and a balance of domestic factoring of RMB450,000,000. The Bank invested in the bonds of RMB700,000,000 issued by Wanjiang Financial Leasing Co., Ltd. The Bank paid advertising fees of RMB200,000 and RMB115,000 to Anhui Expressway Broadcasting Co., Ltd. (安徽高速廣播有限公司) and Anhui Expressway Media Co., Ltd. and paid expressway tolls of RMB401,700 to Anhui Expressway Network Operations Company Limited (安徽省高速公路聯網運營有限公司). In addition, the Bank held bonds of RMB62,000,000 issued by Anhui Transportation Holding Group Co., Ltd., invested in Bosera Furong purely bond securities investment fund of RMB90,000,000 and invested in Huaan Anhe bond securities investment fund of RMB48,000,000, the de facto borrower of which is Anhui Transportation Holding Group Co., Ltd. The Bank held bonds of RMB90,000,000 issued by Anhui Expressway Real Estate Group Co., Ltd. (安徽省高速地產集團有限公司).

- 4. Anhui Credit Guaranty Group Co., Ltd.** Anhui Credit Guaranty Group Co., Ltd. is a related party of the Shareholders of the Bank. The members of the related parties who have outstanding related party transactions with the Bank include Anhui Guaranteed Asset Management Co., Ltd. (安徽擔保資產管理有限公司) and Anhui Development Investment Co., Ltd. (安徽省開發投資有限公司). As at the end of 2019, Anhui Guaranteed Asset Management Co., Ltd. (安徽擔保資產管理有限公司) had a balance of working capital loans of RMB395,000,000 in the Bank; Anhui Development Investment Co., Ltd. (安徽省開發投資有限公司) had a balance of working capital loans of RMB1,967,000,000; Anhui Credit Guaranty Group Co., Ltd. repaid overdue loans of RMB45,450,000 for its customers.
- 5. Sunshine Insurance Group Corporation Limited.** Sunshine Insurance Group Corporation Limited is a related party of the Directors of the Bank. The members of the related parties who have outstanding balance of related party transactions with the Bank include Sunshine Life Insurance Corporation Limited, the Anhui branch of Sunshine Life Insurance Corporation Limited and Chengtay Financial Leasing (Shanghai) Co., Ltd. (誠泰融資租賃(上海)有限公司). The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the relevant provisions. As at the end of 2019, the Anhui branch of Sunshine Life Insurance Corporation Limited has contracted the Bank's staff insurance project with an amount of RMB36,907,700. Chengtay Financial Leasing (Shanghai) Co., Ltd. (誠泰融資租賃(上海)有限公司) had a balance of domestic factoring of RMB464,540,000. The Bank collected from Sunshine Life Insurance Corporation Limited an insurance brokerage fee of RMB976,100.

6. **China Vanke Co., Ltd.** China Vanke Co., Ltd. is a related party of the Shareholders of the Bank. The Bank has deemed it as a related party and the transactions with it are managed as related party transactions in accordance with the relevant provisions. As at the end of 2019, the Bank invested in Vanke's supply chain financial asset support special plans, with a balance of RMB1,400,000,000, and invested in Vanke's housing purchase last payment asset support special plans, with a balance of RMB50,000,000. In addition, China Vanke Co., Ltd. had a balance of RMB1,678,445,400 under the indirect credit facilities with the Bank.
7. **Chery Huiyin Motor Finance Service Co., Ltd.** Chery Huiyin Motor Finance Service Co., Ltd. is an associate of the Bank. The Bank has considered the company as a related party and managed the transactions with it as related party transactions in accordance with the relevant provisions. As at the end of 2019, Chery Huiyin Motor Finance Service Co., Ltd. had a balance of inter-bank borrowings of RMB1,500,000,000 in the Bank. The Bank invested in the asset-backed securities issued by Chery Huiyin Motor Finance Service Co., Ltd. as a promotor, with a balance of RMB157,080,100.
8. **Huishang Bank Financial Leasing Co., Ltd.** Huishang Bank Financial Leasing Co., Ltd. is an associate of the Bank. The Bank has considered the company as a related party and managed the transactions with it as related party transactions in accordance with the relevant provisions. As at the end of 2019, Huishang Bank Financial Leasing Co., Ltd. had a balance of inter-bank borrowings of RMB3,000,000,000, a balance of bank acceptance bills of RMB92,000,000 and a balance of domestic letter of credit of RMB1,511,500,000.
9. **Hefei Xingtai Financial Holdings (Group) Co., Ltd.** Hefei Xingtai Financial Holdings (Group) Co., Ltd. is a related party of the Supervisors of the Bank. The members of the related parties who have outstanding related party transactions with the Bank include Hefei Xingtai Commercial Factoring Co., Ltd. (合肥興泰商業保理有限公司), Anhui Xingtai Financial Leasing Co., Ltd., CCB Trust Co., Ltd., Hefei Xingtai Capital Management Co., Ltd. (合肥興泰資本管理有限公司), CCB Insurance and Asset Management Co., Ltd. (建信保險資產管理有限公司), Harfor Fund Management Co., Ltd., CCB Principal Asset Management Co., Ltd., Anhui Fuyou Health Industry Co., Ltd. (安徽福佑健康產業有限公司), Hefei Urban Construction Development Co., Ltd., Hefei State-Owned Construction Financing Guarantee Co., Ltd., Hefei Security Group Co., Ltd. and its holding companies, Anhui Amber Property Services Co., Ltd. (安徽琥珀物業服務有限公司), Hefei City Parking Investment Management Co., Ltd., Hefei Equity Trading Center (合肥市產權交易中心) and Hefei Xingtai Financing Guarantee Group Co., Ltd. The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the

relevant provisions. As at the end of 2019, Anhui Xingtai Financial Leasing Co., Ltd. had a balance of working capital loans of RMB575,000,000; Anhui Fuyou Health Industry Co., Ltd. (安徽福佑健康產業有限公司) had a balance of fixed-asset loans of RMB301,324,900; Hefei Urban Construction Development Co., Ltd. had a balance of real estate project loans of RMB367,500,000; Hefei Xingtai Commercial Factoring Co., Ltd. (合肥興泰商業保理有限公司) had a balance of working capital loans of RMB100,000,000; Hefei State-Owned Construction Financing Guarantee Co., Ltd. had a balance of separate guarantees of RMB336,715,000. The Bank received custodian fees of RMB2,732,800 for the trust plans of CCB Trust Co., Ltd., paid a management fee of RMB295,000 for the asset management plans and housing rental fee of RMB3,044,600; received custodian fees of RMB19,100 for the private fund of Hefei Xingtai Capital Management Co., Ltd. (合肥興泰資本管理有限公司). The Bank received fees for agency sales services for funds of RMB291,400 from Harfor Fund Management Co., Ltd. and entered into bonds reverse repo transactions with it, receiving interest of RMB1,689,500 and paying interest of RMB4,287,400 for interbank deposit receipts. The Bank entered into bonds reverse repo transactions with CCB Principal Asset Management Co., Ltd., receiving interest of RMB2,978,600 and paying interest of RMB96,445,400 for interbank deposit receipts. The Bank entered into bonds reverse repo transactions with CCB Insurance and Asset Management Co., Ltd. (建信保險資產管理有限公司), receiving interest of RMB972,800. The Bank paid security service fees of RMB22,667,300 to Hefei Security Group Co., Ltd. and its holding companies, property fees of RMB26,200 and electricity fees of RMB270,900 to Anhui Amber Property Services Co., Ltd. (安徽琥珀物業服務有限公司), parking fees of RMB106,000 to Hefei City Parking Investment Management Co., Ltd., bid security of RMB642,500 to Hefei Equity Trading Center (合肥市產權交易中心) and guarantee fees of RMB76,700 to Hefei Xingtai Financing Guarantee Group Co., Ltd.

- 10. Wuhu Construction Investment Co., Ltd.** Wuhu Construction Investment Co., Ltd. is a related party of the Supervisors of the Bank. The members of the related parties who have outstanding related party transactions with the Bank include Wuhu Construction Investment Co., Ltd., Chery New Energy Co., Ltd., Chery Automobile Co., Ltd., Wuhu Hua Yan Water Co., Ltd. (蕪湖華衍水務有限公司), Anhui Chery Automobile Sales Co., Ltd. (安徽奇瑞汽車銷售有限公司), Wuhu Jin'an Shiteng Automobile Safety System Co., Ltd. (蕪湖金安世騰汽車安全系統有限公司), Wuhu Honhu Materials Technology Co., Ltd., Wuhu Power Tech Co., Ltd., Chery New Energy Automobile Sales Co., Ltd. (奇瑞新能源汽車銷售有限公司), Anhui Chery Commercial Vehicle Sales Co., Ltd. (安徽奇瑞商用車銷售有限公司), Karry New Energy Automobile Co., Ltd. (開瑞新能源汽車有限公司), Wuhu Ruitai Automobile Parts Co., Ltd. (蕪湖瑞泰汽車零部件有限公司), Daao (Wuhu) Automobile Products Co., Ltd. (達奧(蕪湖)汽車製品有限公司) and Wuhu Ironman Equipment Engineering Co., Ltd. The Bank considered the abovementioned companies as related parties and

managed the transactions with them as related party transactions in accordance with the relevant provisions. As at the end of 2019, Wuhu Construction Investment Co., Ltd. had a balance of M&A loans of RMB549,000,000, and the Bank invested in the bonds of RMB300,000,000 issued by Wuhu Construction Investment Co., Ltd. Chery New Energy Co., Ltd. had a balance of letter of credit forfaiting of RMB180,200,000. Chery Automobile Co., Ltd. had a balance of domestic letter of credit of RMB13,723,100, had a balance of letter of credit forfaiting of RMB450,000,000 and had a balance of bank acceptance bills of RMB200,000,000. The Bank paid electricity fees of RMB23,700 to Chery Automobile Co., Ltd. The Bank paid water fees of RMB73,500 to Wuhu Hua Yan Water Co., Ltd. (蕪湖華衍水務有限公司). Wuhu Jin'an Shiteng Automobile Safety System Co., Ltd. (蕪湖金安世騰汽車安全系統有限公司) had a balance of domestic letter of credit of RMB2,000,000 and a balance of bank acceptance bills of RMB13,000,000. Wuhu Honhu Materials Technology Co., Ltd. had a balance of domestic letter of credit of RMB2,233,200 and a balance of bank acceptance bills of RMB14,315,300. Wuhu Power Tech Co., Ltd. had a balance of domestic letter of credit of RMB900,000 and a balance of bank acceptance bills of RMB16,438,000. Chery New Energy Automobile Sales Co., Ltd. (奇瑞新能源汽車銷售有限公司) had a balance of domestic letter of credit of RMB180,200,000. Anhui Chery Automobile Sales Co., Ltd. (安徽奇瑞汽車銷售有限公司) had a balance of domestic letter of credit of RMB450,000,000 and a balance of bank acceptance bills of RMB1,000,000,000. Anhui Chery Commercial Vehicle Sales Co., Ltd. (安徽奇瑞商用車銷售有限公司) had a balance of domestic letter of credit of RMB100,000,000 and a balance of bank acceptance bills of RMB200,000,000. Karry New Energy Automobile Co., Ltd. (開瑞新能源汽車有限公司) had a balance of domestic letter of credit of RMB40,000,000 and a balance of bank acceptance bills of RMB40,000,000. Wuhu Ruitai Automobile Parts Co., Ltd. (蕪湖瑞泰汽車零部件有限公司) had a balance of bank acceptance bills of RMB41,596,200. Daao (Wuhu) Automobile Products Co., Ltd. (達奧(蕪湖)汽車製品有限公司) had a balance of bank acceptance bills of RMB21,880,000. Wuhu Ironman Equipment Engineering Co., Ltd. had a balance of bank acceptance bills of RMB4,985,500. In addition, the Bank issued ultra short-term debentures of Wuhu Construction Investment Co., Ltd. of RMB1,200,000,000. The Bank invested in Wanjiang Mingzhu No. 1 Urban Development Fund Single Capital Trust Plan (皖江明珠一號城市發展基金單一資金信託計劃) with a balance of RMB840,000,000, the de facto borrower of which is Wuhu Construction Investment Co., Ltd.

11. **Anhui Publishing Group Co., Ltd.** Anhui Publishing Group Co., Ltd. is a related party of the Supervisors of the Bank. The members of the related parties who have outstanding related party transactions with the Bank include Anhui Huawen International Economic and Trade Co., Ltd. (安徽華文國際經貿股份有限公司), Time Publishing and Media Co., Ltd., Huaan Securities Co., Ltd., Anhui Star Newspaper Media Co., Ltd. (安徽星報傳媒有限責任公司), Anhui

China Travel Services Co., Ltd. (安徽省中國旅行社有限責任公司) and Anhui Publishing Group Co., Ltd. The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the relevant provisions. As at the end of 2019, Anhui Huawen International Economic and Trade Co., Ltd. (安徽華文國際經貿股份有限公司) had a balance of working capital loans of RMB69,762,000, a balance of bank acceptance bills of RMB2,710,000, a balance of domestic guarantees of RMB3,000,000, a balance of domestic letter of credit of RMB82,600,000, a balance of import letter of credit of RMB430,840,000 and a balance of import bill advance under letter of credit of RMB36,140,000. The Bank paid training fees of RMB291,400 to Time Publishing and Media Co., Ltd. The Bank received custodian fees for asset management plans and borrowing fees for bonds with a total of RMB16,847,700 from Huaan Securities Co., Ltd., paid a management fee of RMB10,311,100 for the asset management plans to Huaan Securities Co., Ltd. and entered into bonds reverse repo transactions with it, receiving interest of RMB965,100. The Bank paid advertising fees of RMB263,400 and newspaper subscription fees of RMB12,500 to Anhui Star Newspaper Media Co., Ltd. (安徽星報傳媒有限責任公司). The Bank paid comprehensive service fees of RMB238,800 to Anhui China Travel Services Co., Ltd. (安徽省中國旅行社有限責任公司). In addition, the Bank invested in bonds of RMB20,000,000 issued by Anhui Publishing Group Co., Ltd. and bonds of RMB200,000,000 underwritten by Huaan Securities Co., Ltd. and purchased bonds of RMB240,000,000 of Huaan Securities Co., Ltd. through the secondary market.

**12. Jinzhai Huiyin Village and Township Bank Co., Ltd.** Jinzhai Huiyin Village and Township Bank Co., Ltd. is an associate of the Bank. The Bank has considered the company as a related party and managed the transactions with it as related party transactions in accordance with the relevant provisions. As at the end of 2019, the Bank paid a self banking housing rental fee of RMB60,000 and banknotes storage fees of RMB260,000 to it.

**13. Shanshan Group Co., Ltd.** Shanshan Group Co., Ltd. is a related party of the Shareholders of the Bank. As at the end of 2019, the Bank invested a total balance of RMB1,000,000,000 in the corporate bonds of Shanshan Group Co., Ltd.

**(II) Related party transactions with related natural persons.** According to the statistics of the Bank's related party transaction management system, the balance of the related party transactions entered into with related natural persons of the Bank was RMB524,075,600 as at the end of 2019, which were mainly related to the operations of personal residential loans, personal comprehensive revolving consumer loans and the credit cards overdraft. All of these transactions were related party transactions in the ordinary course of business of the Bank.



**(III) Benchmark for the extent of related party transactions.** Transactions between the Bank and the legal persons or other institutions of related legal persons of the Bank, who constitute group customers, and with the close relatives of related natural persons of the Bank were managed as related party transactions and aggregated in accordance with the relevant provisions and in strict compliance with the regulatory requirements. As at the end of 2019, the unaudited net capital of the Bank amounted to RMB102,442 million. The balance with Huishang Bank Financial Leasing Co., Ltd., the largest single related party, amounted to RMB4,604 million, accounting for 4.49% of the net capital. The balance with Wuhu Construction Investment Co., Ltd., the largest single group related party, and its related enterprises amounted to RMB5,861 million, accounting for 5.72% of the net capital. The balance of all the related party transactions amounted to RMB28,771 million, accounting for 28.09% of the net capital. The percentages were controlled within the regulatory limits.

**(IV) Pricing for related party transactions.** The related party transactions between the Bank and related parties are conducted under normal commercial terms and conditions, which are not more favorable than the terms of similar transactions with non-related parties, thus ensuring the legitimacy and fairness of the pricing of related party transactions. The prices of credit-extension related party transactions are determined in accordance with the relevant credit pricing management measures of the Bank, which correspond to the credit rating and risk exposure of the related party customers. The prices of bill discounting related party transactions are negotiated between the Bank and the related parties based on factors such as discounted amounts, bill structure, maturity structure and transaction timeliness, and with reference to the quotations of similar bills from other counterparties in the bills market. The prices of bond-investment related party transactions are primarily negotiated between the Bank and the related parties with reference to the weighted average trading price in the market. The insurance brokerage fees and custodian fees charged to related parties are mainly negotiated between the Bank and the related parties with reference to the rate charged by other banks for similar services.

## II. CHANGES OF RELATED PARTY TRANSACTIONS

**(I) Changes of related party transactions with related legal persons.** As at the end of 2019, related party transactions with related legal persons increased by RMB8,382,713,700 as compared with the end of 2018. Specifically, related party transactions with Anhui Guoyuan Financial Holding Group Co., Ltd. and its related parties increased by RMB1,755,169,100. Related party transactions with Anhui Transportation Holding Group Co., Ltd. and its related parties increased by RMB2,441,076,800. Related party transactions with Anhui Credit Guaranty Group Co., Ltd. and its related parties increased by RMB1,011,450,000. Related party transactions with Sunshine Insurance Group Corporation Limited and its related parties increased by RMB16,332,000. Related party transactions with Chery Huiyin Motor Finance Service Co., Ltd. increased by RMB489,776,100. Related party transactions with Huishang Bank Financial Leasing Co., Ltd. increased by RMB3,303,500,000. Related party transactions with Hefei Xingtai Financial

Holdings (Group) Co., Ltd. and its related parties increased by RMB330,395,400. Related party transactions with Anhui Publishing Group Co., Ltd. and its related parties increased by RMB1,044,220,000. Related party transactions with Jinzhai Huiyin Village and Township Bank Co., Ltd. increased by RMB320,000. Related party transactions with Shanshan Group Co., Ltd. increased by RMB1,000,000,000. Related party transactions with Anhui Energy Group Co., Ltd. and its related parties decreased by RMB222,249,200. Related party transactions with China Vanke Co., Ltd. decreased by RMB2,002,083,600. Related party transactions with Wuhu Construction Investment Co., Ltd. and its related parties decreased by RMB574,642,900. Anhui Shuyi Construction (Group) Co., Ltd. (安徽舒怡建設集團有限公司) is no longer a related party of the Bank and its businesses in the Bank were no longer managed as related party transactions. As a result, related party transactions with it decreased by RMB210,550,000 as compared with 2018.

- (II) Changes of related party transactions with related natural persons.** As at the end of 2019, the shareholding of natural person Shareholders of the Bank was far less than 5%, and therefore, the Bank's related natural persons were all insiders and their close family members. The related party transactions with the Bank's related natural persons were all general related party transactions, and compared with the end of 2018, there were some new related party transactions, with some of these transactions expiring or repaying loan as per agreement. The balance of such related party transactions increased by RMB85,628,900.

### III. MANAGEMENT OF THE RELATED PARTY TRANSACTIONS

Under the leadership of the Related Party Transaction Control Committee of the Board, the Bank strictly complied with the regulatory requirements of related party transactions and continued to enhance its related party transaction management system during the reporting period. Firstly, the Bank improved internal control systems on related party transactions management, amended the Administrative Measures for the Control of Related Party Transactions of Huishang Bank Corporation Limited, expanded the scope for the recognition of related parties and related party transactions, standardized approval processes for related party transactions and consolidated the foundation for the management of related party transactions. Secondly, based on the requirements of the Interim Measures for the Equity Management of Commercial Banks, the Bank collected the basic information of its related parties and disclosed them in the Bank after submitting them to special committees for confirmation to ensure effective recognition and management of related party transactions. Thirdly, the Bank strengthened access and approval on related party transactions and strengthened the early warning and analysis of related party transactions to prevent unfair prices and ways of credit granting on related party transactions. The Bank also effectively monitored and controlled risks from different perspectives such as relevance concentration and credit quality. Fourthly, the Bank carefully fulfilled its obligations in relation to the disclosure of related party transactions, collected and disclosed the relevant information on related party transactions, with an aim to give a full and accurate picture of the related party transactions of the Bank and safeguard the rights of the Shareholders to be informed of such transactions.



**DUTY REPORT BY INDEPENDENT DIRECTOR FOR 2019  
(DAI PEIKUN)**

As an independent Director of Huishang Bank Corporation Limited, I meet the qualification conditions required by the Administrative Measures on Qualifications of Directors (Council Members) and Senior Management of Banking Institutions and can earnestly perform duties in accordance with the Company Law of the People's Republic of China, the Guidelines for the Corporate Governance of Commercial Banks and other laws, regulations and regulatory documents as well as the requirements of the Articles of Association of Huishang Bank Corporation Limited. I hereby report the details as follows:

**I. Attendance at Meetings in 2019**

During the year for duty performance, I attended all 12 meetings of the Board of Directors of Huishang Bank held in 2019 in person in accordance with the Articles of Association, the Rules of Procedure of General Meetings and the Rules of Procedure of the Board of Directors.

As the chairman of the Nomination and Remuneration Committee of Huishang Bank, I chaired a total of 5 meetings in 2019. As a member of the Audit Committee, I attended all 5 meetings of the Audit Committee held throughout the year.

**II. Relevant Resolutions and Voting**

As an independent Director of the Company and with an attitude of being diligent and responsible to all Shareholders, I gave full play to my expertise, carefully reviewed relevant materials on meeting submitted by the Company, listened to the report of the management, actively participated in discussions and expressed my own opinions and suggestions.

During the year for duty performance, I worked hard in learning about and mastering laws and regulations on economy, finance and corporate governance as well as expertise on operation and management and strived to carry out my work in accordance with laws and regulations. I was not involved in gaining advantages for myself through my positions and powers in the Bank, arbitrarily disclosing business secrets of the Bank or jeopardizing the interests of the Bank with my related relationship. I always adhered to safeguarding the interests of Huishang Bank and all Shareholders, ensured that the legitimate rights and interests of depositors and minority Shareholders are not jeopardized, strictly implemented relevant abstaining systems and confidentiality provisions, and made independent and objective judgments and decisions on matters considered.

In the coming year, I will continue to perform my duties diligently in strict compliance with relevant regulations; further display my business expertise and offer my advices and suggestions to the operation and development of the Company to facilitate its sustainable development. I will persistently devote myself to safeguarding the interests of the Company as a whole and the legitimate rights and interests of all Shareholders, the minority Shareholders in particular.

**DUTY REPORT BY INDEPENDENT DIRECTOR FOR 2019  
(ZHOU YANA)**

I act as an independent Director of the fourth session of the Board of Directors, the chairwoman of the Audit Committee and a member of the Nomination and Remuneration Committee of Huishang Bank. In strict compliance with relevant regulations of the CBRC, the CSRC, the CBRC Anhui Office and Huishang Bank, I have been performing the duties of independent directors faithfully and diligently since my appointment to ensure the scientific and standard decision-making of the Board of Directors without violation of laws and regulations or gaining advantages for others or myself through my positions. I hereby report my performance of duties in 2019 as follows:

**I. Duty Performance on the Board of Directors**

During the duty performance of the fourth session of the Board of Directors in 2019 and as an independent non-executive Director, I was required to attend 12 meetings of the Board of Directors, of which I actually attended 11 meetings in person and attended 1 meeting through proxy for physical reasons.

I carefully reviewed relevant matters considered at the meetings of the Board of Directors in advance and objectively and fairly exercised the voting right, fully displaying the role as an independent Director and safeguarding the interest of the Company as a whole and the legitimate rights and interests of all Shareholders, the minority Shareholders in particular.

**II. Duty Performance on Special Committees**

As the chairwoman of the Audit Committee, I chaired 4 meetings of the Audit Committee and attended 1 meeting through proxy for physical reasons. I fully displayed the role as a member of special committees in matter discussion and submitted the opinions of the Audit Committee to the Board of Directors for reference in decision-making. Meanwhile, through the contents of specific meetings of the Audit Committee and routine work, I guided the internal audit department of the Company to conduct audit and proposed audit suggestions to the internal audit department based on the actual operation conditions of the Company to facilitate further improvement of internal control as well as operation and management of the Company.

As a member of the Nomination and Remuneration Committee, I was required to attend 5 meetings of the Nomination and Remuneration Committee, of which I actually attended 4 meetings in person and attended 1 meeting through proxy for physical reasons.

In 2020, I, as an independent non-executive Director, will continue to take full advantage of my professional knowledge and working experience and propose constructive comments and suggestions to the development of Huishang Bank to safeguard its long-term and sound development. I will also work with other Directors in promoting the scientific decision-making and standard operation of the Board of Directors. While safeguarding the rights and interests of all Shareholders, I will practically display the independence of independent Shareholders, actively safeguard the interests of minority Shareholders and make my contribution to the high-quality development of Huishang Bank.

**DUTY REPORT BY INDEPENDENT DIRECTOR FOR 2019  
(LIU ZHIQIANG)**

I act as an independent Director of the fourth session of the Board of Directors of Huishang Bank as well as a member of the Related Party Transaction Control Committee and the Risk Management Committee. In 2019, in strict compliance with the Company Law of the People's Republic of China, the Due Diligence Guidelines for the Board of Directors of Joint-stock Commercial Banks and other relevant laws and regulations as well as the provisions of the Articles of Association of Huishang Bank Corporation Limited, I earnestly performed the duties of independent directors, attended meetings of the Board of Directors and all special committees on time, deeply studied matters considered by the Board of Directors, objectively and independently issued opinions and made scientific and prudent decisions, practically performing obligations on faithfulness and diligence. I hereby report the details on my work in 2019 as follows:

**I. Attendance at Meetings**

During the year, I was required to attend 12 meetings of the Board of Directors, of which I attended 8 meetings in person and 4 meetings through proxy. I was required to attend 9 meetings of the Related Party Transaction Control Committee, of which I attended 5 meetings in person. I was required to attend 6 meetings of the Risk Management Committee, of which I attended 2 meetings in person. I actively participated in studies, discussions and decision-making on resolutions of the Board of Directors. Where I was unable to attend the meetings in person for certain reasons, I appointed other Directors to express opinions on my behalf and actively performed the duties of independent directors. While striving to guarantee scientific, reasonable, equal and fair decision-making on major matters of Huishang Bank, I always maintained independence and proposed my work advices and suggestions to the Board of Directors and the management.

**II. Expression of Opinions**

As an independent director, I carefully studied all resolutions passed at relevant Board meetings, conscientiously listened to reports of the management and learnt about details about relevant matters in the routine operation and management of the Bank. I voted on reports on the operation and management, financial accounts and profit allocation of Huishang Bank for the year during my tenure and expressed my opinions. Meanwhile, I proposed my suggestions to the development of Huishang Bank. In 2019, I proposed advices and suggestions successively on strengthening internal management of related party transactions, investigating business contacts with Baoshang Bank and holding related parties accountable, improving corporate governance and reporting of significant matters to the Board of Directors by the management in accordance with regulations.

As a member of the Related Party Transaction Control Committee of the Board of Directors, I followed the principles of honesty, integrity, independence and fairness and carefully listened to reports on related party transactions of Huishang Bank.

As a member of the Risk Management Committee of the Board of Directors, I carefully listened to the risk management policies and risk appetite for the whole year, supervised risk control on credit, market and operation during the year, conducted regular assessments on risks of the Bank and proposed comments and suggestions on improvement.

### **III. Safeguarding the Interests of Shareholders**

I proposed suggestions or opinions on safeguarding the interests of the existing Shareholders on the operation management and business development of Huishang Bank at the meetings. My opinions and suggestions proposed at the meetings and the comments made in communications out of the meetings focused on ensuring that the Company can meet the operation conditions and long-term development strategies of the Bank in operation and safeguard the interests of major and minority Shareholders. I fully displayed my role as an independent Director in corporate governance.

**DUTY REPORT BY INDEPENDENT DIRECTOR FOR 2019  
(YIN JIANFENG)**

I act as an independent Director of the fourth session of the Board of Directors of Huishang Bank as well as a member of the Strategic Development and Consumer Rights Protection Committee, the Nomination and Remuneration Committee and the Related Party Transaction Control Committee. In 2019, in strict compliance with the Company Law of the People's Republic of China, the Due Diligence Guidelines for the Board of Directors of Joint-stock Commercial Banks and other relevant laws and regulations as well as the provisions of the Articles of Association of Huishang Bank Corporation Limited, I earnestly performed the duties of independent Directors, attended meetings of the Board of Directors and all special committees on time, deeply studied matters considered by the Board of Directors, objectively and independently issued opinions and made scientific and prudent decisions, practically performing obligations on faithfulness and diligence. I hereby report the details on my work in 2019 as follows:

**I. Attendance at Meetings**

During the year, I was required to attend 12 meetings of the Board of Directors, of which I attended 10 meetings in person. I was required to attend 6 meetings of the Strategic Development and Consumer Rights Protection Committee, of which I attended 2 meetings in person. I was required to attend 5 meetings of the Nomination and Remuneration Committee, of which I attended 3 meetings in person. I joined the Related Party Transaction Control Committee in November 2019 and was required to attend 1 meeting and I attended 1 meeting in person. While striving to guarantee scientific, reasonable, equal and fair decision-making on major matters of Huishang Bank, I always maintained independence, actively participated in studies, discussions and decision-making on resolutions of the Board of Directors and proposed my work advices and suggestions to the Board of Directors and the management.

**II. Expression of Opinions**

As an independent Director, I carefully studied all resolutions passed at relevant Board meetings, conscientiously listened to reports of the management and learnt about details about relevant matters in the routine operation and management of the Bank. I voted on reports on the operation and management, financial accounts and profit allocation of Huishang Bank for the year during my tenure and expressed my opinions.

As a member of the Strategic Development and Consumer Rights Protection Committee, I earnestly researched the A-shares listing, strategic development plans and reports on operation and development and expressed opinions on relevant matters.

As a member of the Nomination and Remuneration Committee, I carefully studied the contents of resolutions on credential checks on candidates proposed by the Board of Directors and senior management, the assessment and stable remuneration of senior management, voted on such resolutions and expressed independent opinions.

As a new member of the Related Party Transaction Control Committee of the Board of Directors, I followed the principles of honesty, integrity, independence and fairness and carefully listened to reports on related party transactions of Huishang Bank.

### **III. Safeguarding the Interests of Shareholders**

I proposed suggestions or opinions on safeguarding the interests of the existing Shareholders on the operation management and business development of Huishang Bank at the meetings. My opinions and suggestions proposed at the meetings and the comments made in communications out of the meetings focused on ensuring that the Company can meet the operation conditions and long-term development strategies of the Bank in operation and safeguard the interests of major and minority Shareholders. I fully displayed my role as an independent Director in corporate governance.

**DUTY REPORT BY INDEPENDENT DIRECTOR FOR 2019  
(HUANG AIMING)**

As an independent Director of Huishang Bank Corporation Limited (the “Company”) and in strict compliance with the Company Law, the Securities Law, the Guidance on Establishment of Independent Director System by Listed Companies, the Guidelines for Corporate Governance of Commercial Banks, the Articles of Association of Huishang Bank Corporation Limited as well as other laws, regulations and requirements, I performed duties faithfully and diligently, attended relevant meetings in a timely manner, actively performed duties and gave full display to the roles of independent directors and all special committees in 2019, duly safeguarding the interests of the Company as a whole and the legitimate rights and interests of all Shareholders, minority Shareholders in particular. I hereby briefly report my work in 2019 as follows:

**I. Duty Performance on the Board of Directors**

In 2019, the Company held 12 meetings of the Board of Directors in total and I attended all meetings in person without attending through proxy or being absent. Following the principles of being diligent, practical, honest and responsible, I carefully considered all resolutions considered and voted at the Board meetings and expressed my opinions and voted on them after objective and prudent consideration on all resolutions.

**II. Work on Special Committees**

As the chairman of the Related Party Transaction Control Committee and a member of the Nomination and Remuneration Committee and the Audit Committee, my duty performance in 2019 is as follows:

As the chairman of the Related Party Transaction Control Committee of the Company, I chaired 5 meetings of the Related Party Transaction Control Committee in 2019 in accordance with the Administrative Measures for the Control of Related Party Transactions and other relevant systems and performed the duties of members of the Related Party Transaction Control Committee as conferred by the Board of Directors.

As a member of the Nomination and Remuneration Committee of the Board of Directors, I reviewed the nomination and remuneration of directors and other senior management in accordance with the Work Rules of the Nomination and Remuneration Committee and other relevant systems and performed the duties of members of the Nomination and Remuneration Committee.



**III. Work on Safeguarding the Legitimate Rights and Interests of Public Shareholders****1. Supervision on corporate governance structure, operation and management of the Company**

I conducted researches and learnt about relevant systems on corporate governance and the implementation, the production, operation and management conditions, the establishment, improvement and implementation of internal control as well as the implementation and tracking of resolutions at the Board meetings by the management. For major issues determined by the Board of Directors, I carefully reviewed the conditions and information provided by the Company and expressed professional opinions in the decision-making by the Board of Directors based on my own professional knowledge.

2. I kept paying attention to information disclosure by the Company, carried out effective supervision and verification on the timely and accurate disclosure of required information to facilitate the Company to perform information disclosure obligations in a truthful, timely, complete and accurate manner in strict compliance with relevant systems. The Company also enhanced voluntary disclosure, which ensured equal and open activities on investor relations management, guaranteed fairness in information disclosure of the Company and practically safeguarded the legitimate rights and interests of investors and public Shareholders.

**IV. Keep Working Diligently and Continue to Faithfully Perform Duties of Independent Non-Executive Directors.**

1. Since my appointment as an independent non-executive director in January 2019, I have been carefully learning about relevant national policies on finance and the guidelines on supporting finance in serving the real economy.
2. Independent directors should continue to carefully perform their obligations on integrity and diligence towards Huishang Bank Corporation Limited and all Shareholders.
3. Independent directors should earnestly perform their duties in accordance with relevant laws and regulations, the guidelines and the Articles of Association of the Company and safeguard the interests of the Company as a whole and particularly ensure that the legitimate rights and interests of minority Shareholders are not jeopardized.
4. Independent directors should perform their duties independently and should not be affected by substantial shareholders and de facto controlling entities of the listed company or other entities or individuals with interest in the listed company.
5. Independent directors should devote sufficient time and vigor in effectively performing the duties of independent directors.

The Board of Supervisors launched the appraisal work on the duty performance of the Board of Directors and the Directors for the year in accordance with the regulatory provisions of the “Guidelines for Corporate Governance of Commercial Banks” (Yin Jian Fa [2013] No. 34, “Measures for Performance Appraisal of Directors of Commercial Banks” (Trial) (Yin Jian Hui Ling [2010] No. 7) and the requirements of the Articles of Association of the Bank. During the appraisal, the Board of Supervisors carefully reviewed the work report of the Board of Directors and the Directors and the appraisal on the duty performance of the Directors by the Board of Directors, summarized the attendance of the Directors at meetings and the convening of the meetings with Shareholders’ representatives, branch presidents, and the responsible persons of the head offices and affiliates, respectively, where comments and suggestions were solicited. Combined with the routine supervision and on-site assessment, the Board of Supervisors conducted comprehensive appraisal on the duty performance of the Board of Directors and the Directors for the year 2019 and formed the appraisal report.

## **I. OVERALL APPRAISAL**

The Board of Supervisors believed that in 2019, faced with complex and challenging domestic and overseas situation, the Board considered the situation with scientific decision and standard operation, vigorously implemented various significant strategies and measures concerning the long-term development of Huishang Bank and effectively overcame adverse effects of the pressures on economic downturn and negative information on medium and small banks, maintaining stable growth in main operation indicators, achieving significant enhancement in market competitiveness and brand influence and consolidating its position as a “first-tier” city commercial bank. The Board of Directors can fully display decision-making and supervisory functions. Based on the economic and financial situation, it conducted timely research, formulated, considered and determined development strategies, operation targets, capital planning, reform of remuneration systems, internal control and risk management as well as other strategies and measures. It fully promoted the implementation of the action plan of “One Body, Two Wings (一體兩翼)” and continuously advanced the improvement of corporate governance, capital supplementing, fundamental management and overall risk prevention and control. With various work under stable progress and improvement, it successfully completed the five-year development strategy plan and laid a solid foundation for the construction of a modern bank with high-quality development.

Members of the Board of Directors strictly observed the laws and regulations and the provisions of the Articles of Association of the Bank, faithfully performed their duties with diligence and actively participated in meetings of the Board of Directors and its special committees. They regularly considered operation reports, financial reports, risk management and other relevant reports, initiatively learnt about and analyzed the business development and operation management of the Bank in a timely manner and comprehensively understood the appraisal of external auditors and the public on the Bank. They independently, professionally and objectively expressed opinions and suggestions and well performed various duties granted by the Articles of Association, playing a key role in the right decision-making and effective and

standard operation of the Board of Directors. All Directors devoted sufficient time in duty performance and the working time on supervision in the Bank met regulatory requirements and the provisions of the Articles of Association of the Bank.

- (I) **Actively standardizing the operation of the Board of Directors and further enhancing the corporate governance.** In accordance with laws and regulations, the Articles of Association and other provisions, it re-elected and adjusted relevant Directors and members of special committees and fully completed the re-election of the Board of Directors, further optimizing the organizational structure of the Board of Directors. It amended the Articles of Association, the rules of procedure of general meetings, the rules of procedure of the Board of Directors and other systems in a timely manner, further enhancing the system guarantee to duty performance by the Board of Directors. It carefully implemented requirements on equity management, actively and steadily advanced the transfer of Shareholders' equity and equity pledge management, consistently optimizing the shareholding structure. It further standardized the management of related party transactions, truthfully, accurately and completely disclosed the annual report and other relevant information, practically safeguarding the interests of the Bank, Shareholders and other stakeholders.
- (II) **Emphasizing enhancement of strategic management and consistently strengthening strategic leadership.** The Board of Supervisors followed the strategic orientation and emphasized strategic leadership. Based on the full implementation of the five-year development strategy plan for 2015-2019, it formulated and promoted the implementation of the three-year action plan of "One Body, Two Wings (一體兩翼)" in a timely manner, specified the development of "Six Financial Strategies" and the establishment of "six business systems", gradually clearing the blueprint on high-quality development. It initiated the formulation of the new-round five-year development strategy plan with digital transformation as the focus and with high starting points and standards, focusing on improving the "digital strength" in future competition and fully setting the blueprint on speeding up in transformation. It took initiatives, transformed crisis into opportunities and actively and stably implement the Baishan Project to make breakthroughs in cross-regional development. It also intensified human care and promoted the reform of remuneration systems in favor of grass-roots employees at the frontline, which significantly boosted the satisfaction of staff.
- (III) **Conducting capital supplanting in an orderly way and the capital adequacy ratio consistently meeting regulatory requirements.** Based on the actual conditions of the capital of the Bank, it stick to the development orientation of light-capital transformation and formulated the capital supplement planning for 2019-2021 in a timely manner, which set out the target of the Bank for capital adequacy ratio in the following three years and gradually established a diversified

capital supplement mechanism. It firmly grasped opportunities, sped up in the re-initiation of A-shares listing and generally completed due diligence, prospectus, review reports on asset appraisal and other work with relevant preliminary work under stable progress as scheduled. It actively expanded channels for capital supplement, successfully issued perpetual bonds with an offering size of RMB10 billion and supplemented tier 1 capital in a timely manner. As at the end of 2019, the core Tier 1 capital adequacy ratio and other indicators of the Bank met regulatory requirements.

- (IV) **Focusing on intensifying overall risk management and consistently enhancing internal control and risk management.** Facing the generally great pressures on internal control and risk management of the Bank, the Board of Supervisors continuously promoted the establishment of the overall risk management system, considered and determined the three-year action plan on overall risk management, the guideline on annual risk management risks, risk appetite and risk quota management plans as well as policies and systems on large-scale risk exposure management and the handling of employees' violation of systems. It urged senior management to amend liquidity risk management systems in a timely manner, regularly analyzed and studied pressures on liquidity risk, fully carried out assessment on the effectiveness of internal control and urged the implementation of the risk assignment system, interbank business reform and other innovative measures. It reshaped the risk control process for non-credit assets, enhanced efforts in the prevention and control of anti-money laundering risks and effectively coped with and properly handled the shock of the disposal of Baoshang Bank and other risk incidents. Therefore, the internal control and basis for risk prevention and control were further consolidated and the non-performing loans ratio has been below the average level of commercial banks across the country and in the banking industry in Anhui Province for consecutive years, the asset quality remaining stable on the whole.
- (V) **Vigorously promoting innovation in organisational management with the coordination and linkage mechanism gradually established within the Group.** The Bank actively strived for and successfully obtained the approval to establish the first wealth management subsidiary in the Central China as well as the third among city commercial banks across the country, which is beneficial to further expand and establish a diversified and cross-regional business development pattern on and off the balance sheet with varieties. It urged the amendment of the administrative measures of subsidiaries, explored the establishment of scientific and effective new management model of subsidiaries, strengthened comprehensive consolidated management of capital and risks. The corporate governance and risk management of subsidiaries were incorporated in the unified framework of the Bank and the synergy of strategies, businesses, mechanisms and resources of the Bank and its subsidiaries were gradually intensified.

(VI) **Conducting information disclosure in a timely manner and consistently improving the investor relationship management mechanism.** In accordance with laws and regulations and regulatory requirements, the Bank disclosed annual report, interim report, audit report and other important information as well as relevant information on the amendments to the Articles of Association, the convening of general meetings and operation results through results release, roadshow, the website of the company, the Hong Kong Stock Exchange and other channels. It actively enhanced the communication with investors and fully guaranteed the right to information of Shareholders and other stakeholders. For A-shares IPO and other issues concerned by Shareholders, the Bank actively carried out communication and explanation through visiting them and carefully listened to their comments and suggestions. It also widely took advantage of national and provincial mainstream media resources, intensified positive publicity and public opinions prevention and control and continuously maintained benign interaction with media.

## II. EVALUATION RESULTS

Upon assessment, the Board of Directors and Directors were all rated as competent for the 2019 annual performance evaluation.

## III. RECOMMENDATIONS

In 2019, the duty performance of the Board of Directors was good with outstanding working results achieved. To better conduct the work for 2020, the Board of Supervisors proposed the following recommendations:

(I) **To further improve strategic management.** The Board of Directors should comprehensively summarize and systematically evaluate the implementation of the five-year strategic plan from 2015 to 2019, deeply analyze the problems existing in the implementation process of the strategy, make revisions and improvements in the new round of strategic layout. Based on the new situation, new opportunities and new conditions faced by the Bank, the Board of Directors should study and formulate the new round five-year strategic plan with high starting points and high quality to more accurately master the development trend of the financial industry in the following five years and the inherent law of the transformation and development of city commercial bank. It should comprehensively summarize and analyze prominent problems and bottlenecks in the sustainable and sound development of the Bank, reasonably set out targets in sound development and propose scientific strategic measures on digital transformation based on the actual conditions of the Bank, following the development trends of the transformation and development of city commercial banks and achieving sustainable and high-quality development to promote the sustainable and healthy development of the Bank.

- (II) **To solidly and steadily advance the Baishan Project.** Focusing on the current conditions and long-term development of the Bank, the Board of Directors should enhance coordination and planning, solidly and stably promote the Baishan Project and arrange special shifts and experts to closely follow the progress of operation. It should inspect assets and liabilities, forecast possible risks in advance, adopt prevention and control measures and practically prevent risks in the implementation of projects to ensure sound management, sustainable development and prevention of risks. Based on the actual conditions and characteristics of branches out of the region, it should study and set up mechanisms and systems on effective cross-regional development and management, establish and improve an integrated internal control system and risk control mechanism with the coordination, linkage and joint prevention of branches in and out of the region. It should focus on intensifying the management of staff and various risks, gradually cultivate a healthy compliance culture and a unified corporate culture and establish a sound pattern with efficient coordination and integrated and coordinated development of institutes in and out of the region.
- (III) **To explore in the establishment of a long-term capital supplement mechanism.** The Board of Directors should fully analyze business growth, institute development, assets input, write-off of non-performing assets, regulatory requirements and other capital demands and further improve capital enhancement and refine management capability. It should properly deal with the relations among business growth, profit generation and capital supplementing, prepare scientific capital planning and accelerate in advancing A-shares IPO. It should continue to maintain diversified capital supplementing, actively and effectively promote the equity transfer of major Shareholders and private placement and facilitate the issuance of perpetual bonds and secondary capital bonds to consistently optimize the capital structure and expand capital supplement channels. It should continue to follow the orientation of light-asset transformation and development, promote the orderly and efficient assets transfer and vitalize inventory assets to effectively reduce capital pressures. It should strengthen internal economic capital management and consistently improve the balanced constraint mechanism between capital occupation and risk assets.
- (IV) **To further intensify overall risk management.** It should fully display the professional functions of the Risk Management Committee, the Related Party Transaction Control Committee, the Audit Committee and other special committees under the Board of Directors and conduct comprehensive supervision and evaluation on risk control on credit, market and operation by the senior management of the Bank. After regularly listening to relevant report of senior management on risk management and asset quality, the Board of Directors should formulate scientific plans on the establishment of overall risk management systems and speed up in the establishment of new patterns on overall risk management. It should regularly consider and determine annual risk management policies and risk appetite, guide and



urge the improvement and establishment of “three lines of defense” in the internal control system and give display to the function of internal control as the “third line of defense”. It should reinforce the analysis and evaluation on the effectiveness of internal control, further improve the mechanism on the prevention and control of significant reputation risks and urge senior management to effectively implement various measures and measures on overall risk management to maintain overall risks under control and stable assets quality.

**(V) To coordinate the management of investor relations and external investments.**

The Board of Directors should further establish and improve the mechanism on investor relations management and highlight enhancing market value management. While effectively guaranteeing the right to information of Shareholders and other stakeholders, it should actively enhance contact and communications with Shareholders and vigorously strive for understanding and support of Shareholders to the implementation of significant strategies of the Bank. Individual Directors with equities should further clarify the boundary of responsibilities of Shareholders and Directors and exercise the corresponding rights within the scope of responsibilities as stipulated in the Articles of Association of the Bank to practically safeguard the overall benefits of the Bank. It should improve external investment management, actively participate in the management of investment in banks and non-banking institutes out of the province, urge the implementation of consolidated financial statements management of subsidiaries of the Bank and carry out risks separation to effectively prevent the transmission of risks with the group. It should continuously consolidate and improve the results in related party transactions management, further standardize the process of related party transactions management, strengthen the collection and use of information on related party transactions and deepen the cooperation with related parties in accordance with laws and regulations to effectively prevent risks on related party transactions. It should further enhance the overall planning and guidance on the protection of consumers’ rights and interests and practically safeguard the legitimate rights of consumers.

Annexes: 1. Appraisal on the Performance of Duties of the Board and Directors for 2019

2. Attendance of Directors at Board Meetings for 2019



**Annex 1:****Appraisal on the Performance of Duties of the Board and Directors for 2019**

<b>Subject of Appraisal</b>		<b>Appraisal Results</b>
Appraisal on the Board:		Competent
Appraisal on Directors:		
Wu Xuemin	Executive Director, Chairman	Competent
Zhang Renfu	Executive Director	Competent
He Jiehua	Executive Director	Competent
Zhu Yicun	Non-executive Director	Competent
Yan Chen	Non-executive Director	Competent
Wu Tian	Non-executive Director	Competent
Qian Dongsheng	Non-executive Director	Competent
Gao Yang	Non-executive Director	Competent
Wang Wenjin	Non-executive Director	Competent
Zhao Zongren	Non-executive Director	Competent
Dai Peikun	Independent Director	Competent
Zhou Yana	Independent Director	Competent
Liu Zhiqiang	Independent Director	Competent
Yin Jianfeng	Independent Director	Competent
Huang Aiming	Independent Director	Competent

**Annex 2:****Attendance of Directors at Board Meetings for 2019**

<b>Name</b>	<b>Position</b>	<b>Meetings to be attended</b>	<b>Attended in person</b>	<b>Attended by proxy</b>	<b>Absence</b>
Wu Xuemin	Executive Director, Chairman	12	12	0	0
Zhang Renfu	Executive Director	12	11	1 (10th meeting of the fourth session)	0
He Jiehua	Executive Director	6	6	0	0
Zhu Yicun	Non-executive Director	12	10	2 (3rd and 5th of the fourth session)	0
Yan Chen	Non-executive Director	2	2	0	0
Wu Tian	Non-executive Director	12	12	0	0
Qian Dongsheng	Non-executive Director	12	11	1 (3rd of the fourth session)	0
Gao Yang	Non-executive Director	12	8	3 (8th, 9th and 10th of the fourth session)	1 (11th of the fourth session)
Wang Wenjin	Non-executive Director	12	12	0	0
Zhao Zongren	Non-executive Director	12	11	1 (9th of the fourth session)	0
Dai Peikun	Independent Director	12	12	0	0
Zhou Yana	Independent Director	12	11	1 (5th of the fourth session)	0
Liu Zhiqiang	Independent Director	12	8	4 (3rd, 8th, 9th and 10th of the fourth session)	0
Yin Jianfeng	Independent Director	12	10	2 (9th and 11th of the fourth session)	0
Huang Aiming	Independent Director	12	12	0	0

*Note:* The 2nd, 4th, 6th, 7th and 12th meetings of the fourth session were by written resolutions.

The Board of Supervisors comprehensively appraised the duty performance of the Supervisors for the year 2019 and formed the appraisal report through reviewing the duty report of Supervisors and Supervisors' self-evaluation and mutual evaluation in accordance with the regulatory provisions of the Guidelines for the Corporate Governance of Commercial Banks (Yin Jian Fa [2013] No. 34), the Work Guidelines for the Board of Supervisors of Commercial Banks (Yin Jian Fa [2012] No. 44) and the requirements of the Articles of Association of the Bank and formed the appraisal report.

### **I. PERFORMANCE OF FIDUCIARY DUTIES BY THE SUPERVISORS**

In 2019, Supervisors of the Bank strictly abided by laws and regulations and the Articles of Association of the Bank, honestly, diligently and earnestly performed duties, faithfully reported relevant personal information and related relationship, performed abstention obligations according to relevant requirements and initiatively accepted supervision by regulatory authorities and the Board of Supervisors. No Supervisors was found to be involved in disclosing secrets of the Bank, gaining advantages for themselves through their positions as Supervisors, jeopardizing the interests of the Bank for Shareholders' interests and other violation of relevant laws, regulations and the Articles of Association of the Bank. According to the appraisal, all Supervisors have performed their fiduciary duties faithfully in 2019.

### **II. DILIGENT PERFORMANCE OF DUTIES BY THE SUPERVISORS**

In 2019, all Supervisors of the Bank earnestly and diligently performed the supervisory duties authorized by the Articles of Association of the Bank, consistently enhanced self-development, optimized working methods, displayed the functions of the Board of Supervisors and strived to improve the overall operation and work efficiency of the Board of Supervisors.

- (I) **Attendance at meetings of the Board of Supervisors.** In 2019, the Board of Supervisors of the Bank held a total of 20 meetings, including 9 meetings of the Board of Supervisors, 3 meetings of the Nomination Committee and 8 meetings of the Supervisory Committee. The Supervisors performed their obligations with due diligence, actively attended meetings of the Board of Supervisors and its special committees. The number of meetings of the Board of Supervisors attended by Supervisors in person exceeded two thirds of the total number of meetings. Where a Supervisor was unable to attend a meeting in person for any reason, he/she had by a written power of attorney appointed another Supervisor to attend the meeting and vote on his/her behalf in accordance with the Articles of Association. The Supervisors carefully considered resolutions from the perspective of safeguarding the interests of the Shareholders, employees, customers and other stakeholders of the Bank, responsibly expressed their opinions and voted. The Supervisors devoted sufficient time to duty performance and the working time on supervision in the Bank met regulatory requirements and the Articles of Association.

- (II) **Attendance at the general meetings.** The Supervisors have attended the 2019 annual general meeting and the extraordinary general meeting of the Bank, and when voting on proposals, counted and scrutinized the votes jointly with lawyers and Shareholders' representatives, ensuring the legal compliance of the voting process. In accordance with the requirements of the Bank's Articles of Association, the Board of Supervisors presented its annual work report and a written report on the results of performance appraisal of Supervisors to the annual general meeting, which were approved at the meeting.
- (III) **Attendance at the meetings of the Board and the senior management.** In 2019, the Board of Supervisors designated representatives to attend meetings of the Board and the senior management, and to supervise the procedures of decision-making of the Board and the implementation of resolutions of the general meeting. The Supervisors supervised the implementation of the Board's resolutions by the senior management and the operational management activities in accordance with the Articles of Association and the authorization by the Board, with independent opinions and suggestions put forward, thus performing supervisory responsibilities and further displaying the functions of the Board of Supervisors.
- (IV) **Valuation of strategic implementation and supervision.** The Supervisors organized appraisal on the implementation of the strategies for the previous year, formulated special appraisal reports and proposed specific suggestions on the study, formulation and implementation of the new round of strategic plans, focusing the effective connection of strategic plans, optimizing the transmission mechanism between strategies and the implementation efficiency and focusing the coordinated integration of the implementation of strategies and the construction of corporate culture in a timely manner. Feedbacks to relevant reports have been given to the Board of Directors after being submitted to the Board of Supervisors for consideration according to procedures.
- (V) **Conducting financial management and supervision. Firstly, carefully reviewing annual reports and other regular reports.** It organized the consideration of the 2018 annual report and the 2019 interim report, focused on the operation of profitability indicators such as ROA and ROE, and attached importance to potential risks on balance of non-performing loans, public float and other indicators. It also proposed specific suggestions on capital supplement planning, strengthening coordinated management of assets and liabilities, highlighting interbank risks, strictly preventing imported risks, dissolving problematic assets in an orderly way and improving assets quality. **Secondly, enhancing capital management appraisal.** It paid close attention to the implementation of capital supplement planning, conducted appropriate supervision on fund-raising, capital consumption, capital adequacy ratio and other indicators and focused on promoting the continuous improvement in the efficiency of capital use to ensure that the capital adequacy ratio

meets regulatory requirements. **Thirdly, strengthening supervision on the standard financial activities.** It regularly reviewed reports on financial budgets and final accounts with the focus on the completion of revenue and quality indicators and whether the liquidity and other regulatory indicators meet the targets. It also learnt about significant financial decision-making and the trend of changes in operation and proposed comments and suggestions on the standard financial operation and the effectiveness of financial activities, promoting the continuous quality and efficiency improvement in financial management activities.

**(VI) Supervision over internal control and risk management**

- 1. Vigorously conducting supervision on internal control management.** The Board of Supervisors carefully audited the report on internal control appraisal and audit opinions of the internal audit department, proposed comments and suggestions on further enhancing appraisal on corporate governance and reputational risks prevention and other work, and gave feedbacks to the Board of Directors and senior management in a timely manner. The Board of Supervisors paid close attention to issues spotted in tour inspections, external regulation and internal and external audits and their rectifications as well as the accountability. It actively participated in the evaluation and rectification on relevant internal control issues required in regulatory inspections and regulatory interviews and assisted in the construction of the internal control mechanisms and systems.
- 2. Deeply conducting supervision on risk management.** Through attending relevant meetings of the Risk and Internal Control Management Committee and the Assets and Liabilities Management Committee, the Board of Supervisors considered risk management policies, portfolio risk quota management system and other systems, established and improved major public opinions and risk events monitoring records to follow and monitor the changes in key operational risk indicators. It gave risk warning on supervision with the focus on the disposal and management of non-performing assets and consolidated financial statements and proposed comments and suggestions on coordinated monitoring on credit and non-credit businesses, strengthening unified management of risks on large-scale credit customers and conducting unified credit granting and pass-through credit granting. Meanwhile, it focused on key regulatory areas, strengthened regulation on risks exposed to interbank businesses, the protection of consumers' rights and interests, anti-money laundering and other sectors, and actively participated in the implementation of the mechanism on "winning the battle on solving significant risks" to promote the enhancement of the overall risk management.

**(VII) Supervision and inspection**

1. **Exploring in conducting special supervisions and inspections on the quality of internal audit.** To further display the function of the internal control system of the Bank as the “third line of defense” in the internal audit of the Bank, in accordance with the Guidelines for Internal Audit of Commercial Banks (Yin Jian Fa [2013] No. 34), the Regulation of the National Audit Office on Internal Control Work (Order No. 11 of the National Audit Office) and relevant requirements of the Articles of Association of the Bank, the Board of Supervisors carried out special supervisions and inspections on the quality of internal audit, formulated detailed work plans and established special working groups on special inspection in 2019. Through exchanges, interviews, questionnaires, on-site and off-site inspections and other means, the Board of Supervisors carried out objective analysis on the internal audit of the Bank and formed the Report of the Board of Supervisors on Special Supervisions and Inspections on the Quality of Internal Audit. The report comprehensively and objectively appraised the achievements in internal audit of the Bank, analyzed and pointed out issues to be improved on eight aspects, and proposed work suggestions on six aspects.

2. **Deeply conducting special researches.**

**Firstly, organizing researches on inclusive finance.** Combined with the education activities themed “staying true to our founding mission” and following the problem-oriented, target-based and results-driven principles, the Board of Supervisors carried out special researches at eight outlets of Huinong branch and financial service centers in Lujiang County and Changfeng County to deeply understand the current operation and management of outlets for inclusive finance as well as their problems and difficulties. It studied and proposed certain countermeasures, formed special reports and submitted them to the Party Committee of the Bank and the 15th tour guidance group of the leading group of Anhui provincial Party Committee on the education activities themed “staying true to our founding mission”. **Secondly, comprehensively researching the development of affiliates.** The Board of Supervisors launched special research on Jinzhai Huiyin Rural Bank Co., Ltd., Huishang Bank Financial Leasing Co., Ltd. and Wuwei Huiyin Rural Bank Co., Ltd. to have a detailed understanding on the operation and management of affiliates under local regional and financial environment as well as their difficulties and problems. It also conducted in-depth analysis and research on further enhancing strategic management, improving the development model, strengthening corporate governance and the management of shareholders’ activities as well as preventing significant customer risks and proposed working suggestions on strengthening consolidated financial statements management, strategic business synergy, integrated marketing, liquidity

management, capital supplementing as well as intensifying the Party construction of affiliates to further promote and improve the effective management of affiliates. **Thirdly, strengthening supervision on branches.** Based on work arrangements of the Bank on targeted supervision, the chairman of the Board of Supervisors focused on supervision on Hefei Branch and Liuan Branch and regularly visited the branches to listen to comments and suggestions, assisted in coordinating and solving the difficulties in the development of the branches and supervised the improvement of operation and management. For the appraisal on the target-oriented responsibility system in the operation of branches, the chairman made special trips to Bengbu and Maanshan branches to carry out researches and proposed comments and suggestions on the operation and management of branches, the application of key products and business advancing, risk management and cases prevention and control, thus facilitating branches to effectively prevent and dissolve risks and promoting their sustainable and sound development.

3. **Organizing and conducting special seminars.** To implement the strategy of “focusing on Jinzhai to promote the whole province” of Anhui provincial Party Committee and Anhui provincial government and the development deployment of the Bank on poverty alleviation financial work, the special seminar of “Comprehensive Financial Reform in Rural Areas and Practice of Inclusive Finance of Huishang Bank” was held in Jinzhai. On the basis of fully understanding the comprehensive financial reform in rural areas in Jinzhai and the practice of the Bank in participation in reform, it focused on “how to further perform the functions of the Board of Supervisors, better practice the concept of inclusive finance and serve the development of real economy” and conducted in-depth discussion and communications, which further expanded the width and depth of duty performance by the Board of Supervisors, explored effective measures on displaying the functions of the Board of Supervisors and promoted the organic integration of duty performance by the Board of Supervisors.

- (VIII) **Organizing the audit of the economic liabilities of the senior executives.** In accordance with the Bank’s Articles of Association and the Interim Measures for the Audit of the Economic Responsibilities of Executive Directors and Senior Management by the Board of Supervisors of Huishang Bank (Amended), the Board of Supervisors organized the audit of the economic liabilities of Yi Feng and Xia Min, former assistants to president, Chen Hao, former chief information officer and Ci Yaping, former vice president, of the Bank, objectively evaluating their performance of economic liabilities during their respective tenure. Combined with the actual work and job requirements, it put forward specific audit recommendations. Feedbacks to relevant reports have been given to the Board of Directors and senior management according to procedures and relevant reports have been filed with regulatory authorities.



**(IX) External Supervisors' work.** In 2019, strict compliance with the regulatory requirements of the Guidelines for the Corporate Governance of Commercial Banks (Yin Jian Fa [2013] No. 34) of the CBRC and the Corporate Governance Code of the Hong Kong Stock Exchange, and according to the responsibilities and rights conferred by the Articles of Association of the Bank, all external Supervisors of the Bank proactively attended relevant meetings and considered all resolutions with deliberation and independently and objectively expressed opinions on relevant matters. They initiatively safeguarded the interests of the Bank as a whole and the legitimate interests of the its minority shareholders and conducted effective supervision on the duty performance of the Board of Directors and senior management as well as financial activities, risk management, internal control and other work of the Bank. External Supervisors were not involved in circumstances where affected the independence as prescribed by the domestic and overseas regulatory authorities, such as the PBOC, the CBIRC and the Hong Kong Stock Exchange.

## **II. APPRAISAL RESULTS**

The appraisal results of all Supervisors in 2019 are all competent after the appraisal.

Annex: Appraisal on the Performance of Duties of Supervisor for 2019

**Annex:****Appraisal on the Performance of Duties of Supervisor for 2019**

<b>Subject of appraisal</b>	<b>Position</b>	<b>Results</b>
Zhang Youqi	Chairman of the Board of Supervisors	Competent
Tang Chuan	Employee representative Supervisor	Competent
Zhong Qiushi	Employee representative Supervisor	Competent
Pan Shujuan	External Supervisor	Competent
Yang Mianzhi	External Supervisor	Competent
Dong Xiaolin	External Supervisor	Competent
Chen Rui	Shareholder representative Supervisor	Competent
Li Ruifeng	Shareholder representative Supervisor	Competent
Hu Jing	Shareholder representative Supervisor	Competent

The Board of Supervisors launched the appraisal work on the duty performance of the senior management and its members for the year in accordance with the regulatory provisions of the “Guidelines for Corporate Governance of Commercial Banks” (Yin Jian Fa [2013] No. 34), “Work Guidelines for the Board of Supervisors of Commercial Banks” (Yin Jian Fa [2012] No. 44) and the requirements of the Articles of Association of the Bank. During the appraisal, the Board of Supervisors carefully reviewed relevant work reports, the operation and management of the Bank and the completion of annual operation plans and convened seminars of branch presidents, the main responsible persons of some offices and departments of the headquarters and affiliates to solicit their opinions and suggestions extensively. It regularly conducted on-site assessment and comprehensively appraised the duty performance of senior management and its members for the year 2019 based on the inspections on routine supervision and researches and formed the overall appraisal report on such basis.

## **I. OVERALL APPRAISAL**

The Board of Supervisors believed that in 2019, faced with complex and challenging domestic and overseas situation, senior management of the Bank earnestly implemented strategic decisions of the Board of Directors and firmly focused on targets and tasks in annual operation and development. Following the requirements on returning to its fundamental purposes, focusing its mind on the main business and serving the real economy, they maintained reform and innovation, carefully implemented the action plan of “One Body, Two Wings (一體兩翼)”, emphasized on core deposits growth and asset quality improvement and continuously strengthened fundamental management, accountability and efficiency improvement. They improved targeted risk control mechanisms, enhanced technology support and the construction of the digital bank, fully improved operation and management and the capabilities to serve real economy, successfully completing various operation plans determined by the Board of Directors. Major operation indicators improved while maintain stable, outperformed the expectation and remained at a high level in the industry and its comprehensive strength and brand influence consistently consolidated.

Members of senior management strictly observed the laws and regulations and the provisions of the Articles of Association of the Bank, faithfully implemented national financial guidelines and policies and regulatory requirements, honestly and diligently conducted work and effectively organized routine operation management. They carefully carried out their businesses and relevant affairs, strengthened communications with the Board of Directors and the Board of Supervisors, initiatively accepted the regulation of regulatory authorities, coordinated the supervision of the Board of Supervisors and performed the operation and management responsibilities in accordance with laws and regulations. They displayed their enthusiasm and initiative, achieved outstanding operation results and showed strong management capabilities and practical and efficient working styles, making important contributions to the sustainable and sound development of the Bank.

- (I) **Actively practicing principal responsibilities and major businesses and consistently improving quality and efficiency in serving real economy.** Focusing on the central tasks and serving the general pattern, senior management actively performed the responsibilities of local legal persons and financial institutes. Based on the requirements on “on returning to fundamental purposes and focusing mind on the main business”, they focused on six major financial sectors, namely people’s livelihood, industries, technology, green development, inclusive finance and poverty alleviation, constantly carried out innovation in products and services, continuously increased credit input and effective financial supply and fully supported the supply-side structural reform, significant public facilities, strategic and emerging industries, “agriculture-related industries”, small and micro enterprises and targeted poverty alleviation projects. The quality and efficiency of serving real economy were further boosted, credit input has been ranking the first in the province for two consecutive years and the market share of loans to small and micro enterprises have been ranking the first in Anhui province for years. The Bank was awarded the “Class-A Taxpayer” in Anhui Province, which fully showed the responsibility of a mainstream local bank.
- (II) **Fully focusing on deposits with market share ranking high.** The Bank actively responded to market challenges and gave priority to deposits among all work. It strengthened target appraisal, enhanced tracking and deployment, introduced ancillary liability products and special plans on deposits enhancement, optimized resources allocation and broadened customer base to vigorously promote deposit growth through various measures and create an atmosphere of focusing on deposits. Its market share of deposits ranked the first in Anhui Province, of which the balance of corporate deposits has been ranking the first in Anhui province for 12 consecutive years. Its share in the savings market has been increasing and it ranked the first in terms of increase in market in Anhui Province, which promoted the continuous optimization of the asset-liability structure and further consolidated the basis for the sustainable and healthy development of the Bank.
- (III) **Continuing to deepen reform and innovation and consistently enhancing drivers to transformation and development.** Faced with the increasingly fierce market competition in the financial industry, the Bank considered reform and innovation as the fundamental drivers to transformation and development, strengthened reform empowering and innovation driving and fully advanced innovation in products, technology, channel, processes and mechanisms, achieving emerging innovation results. It successfully created the first credit risk mitigation certificate and implemented the first perpetual debt financing plan within the province and online electronic bidding and letters of guarantee. The new-generation concentrated operation platform was put into operation and online products such as “finance + supply chain connection”, “E Miao Tie” and “Fast E-Loan”. It successfully obtained the approval to establish the first wealth management

subsidiary in the Central China as well as the third among city commercial banks across the country and successfully issued perpetual bonds with an offering size of RMB10 billion, which consistently enhanced the product competitiveness and comprehensive service capability and made steady steps in transformation and development.

- (IV) **Focusing on preventing and mitigating risks with various risks generally under control.** Faced with pressures on economic downturn and strengthened and strict regulation, the Bank earnestly implemented regulatory requirements, focused on strengthening the concepts of “prudence, rationality and stability”, strictly controlled risk exposure, actively implemented risk assignment, reformed the approval mechanism on non-credit investment and financing businesses, optimized the approval procedures on businesses with low risks and properly handled the shock of the disposal of Baoshang Bank and other risk incidents. It incorporated its affiliates into risk supervision evaluation for the first time, strengthened the quota management on Internet-based loans and effectively implemented the LPR mechanism. Its major regulatory indicators such as the liquidity and MPA appraisal successfully met standards. It strictly implemented regulatory requirements that loans overdue for over 60 days shall be classified into non-performing loans and vigorously disposed inventory non-performing assets in accordance with laws and regulations. As a result, the quality of credit assets remained stable and various risks on credit, market, operation and reputation were general under control.
- (V) **Consistently enhancing compliance construction and consolidating the basis for internal control management.** Combined with the implementation of the action plan of “One Body, Two Wings (一體兩翼)”, the Bank fully performed and advanced the construction of six major management systems such as internal supervision, constantly improving standard operation. The Bank faithfully implemented regulatory policies and requirements, deeply promoted the “Strengthening the Three Bases and Attaining the Four Adequacies” activities and further consolidated the results in renovating messes. It is the only corporate financial institution in Anhui province that has been rated A grade of anti-money laundering supervision for eight consecutive years. The Bank continued to revise and introduce industrial management measures on employees, innovated monitoring means on abnormal behaviors of employees and conducted routine visits to employees, strengthening the management of employee behaviors. It also took advantage of accountability, practically increased accountability and punishment and extended the accountability chain appropriately, which further determined and performed the responsibilities of all parties and gradually established a pattern with responsibilities promoting the development and efficiency of the Bank.

**(VI) Caring about frontline employees and consistently improving working styles.**

The Bank attached importance to human care, paid more attention to grass-roots and frontline employees, actively advanced the reform and implementation of remuneration systems and strengthened life guarantees to carders working in different places, which consistently improved and raised the working and life conditions of grass-roots employees and significantly enhanced the sense of achievement and belonging of employees. The Bank displayed the function of the employee representative meeting as the main channel for democratic management and submitted relevant systems and documents closely related to employees' benefits, such as remuneration management and employee retirement management, to the employee representative meeting for consideration to effectively safeguard the benefits of employees. It attached equal importance to strict management and deep care as well as incentives and constraints and took the year for style construction as an opportunity to establish and implement the errors-tolerance and rectification mechanism, strengthen positive incentives and fully motivate the enthusiasm of employees in shouldering responsibilities, working hard and entrepreneurship.

**II. EVALUATION RESULTS**

Upon assessment, the senior management and its members were all rated as competent for the 2019 annual performance evaluation.

**III. RECOMMENDATIONS**

The Board of Supervisors considered that the senior management achieved remarkable operating results in 2019. To better conduct the work for 2020, the Board of Supervisors proposed the following recommendations:

- (I) To further improve the target appraisal management system.** Considering the adverse effects of the economic downturn and the COVID-19 outbreak, the Bank should set reasonable targets and tasks for annual appraisal based on different conditions of all branches to maintain the sound development on the whole. Based on the requirements on “stability, high quality and practice”, the Bank should further focus on key points, emphasize core and key indicators and actively guide branches to pay more attention to economic profits, asset quality, risks prevention and other key sectors and fully motivate the working enthusiasm of branches. It should coordinate in the orientation of the “10,000-point system” and the “lines” appraisal targets and further boost the effectiveness of the appraisal on line on the basis of appropriately streamlining lines to achieve mutual support and synthetic promotion of the “10,000-point system” and the “lines” appraisal targets and fully display the orientation and incentive role in targets appraisal.

- (II) To fully boost the effectiveness of comprehensive services of the head office.** Following the requirements on “building a strong head office”, the Bank should increase efforts in the cultivation and introduction of high-end professional talents and set out new benchmarks on the innovation and development of the industry. It should further enhance product and service guarantees, strengthen product research and development and innovation, improve the applicability, accuracy and timeliness of innovative products and boost the integration of retails and online products to increasingly improve the market competitiveness of the Bank’s products. It should adhere to “deposit as the foundation” and continue to firmly focus on deposits to further improve the results of comprehensive deposit services. The Bank should intensify coordinated services for strategic customers, establish and improve the comprehensive service platform for strategic customers and the parallel operation mechanism on significant projects to significantly improve the overall service efficiency at the head office. It should meet the demands in the digital transformation, enhance top design, guide and advance the intelligent transformation of outlets and promote the extensive application of big data to remarkably boost the data governance, technology support and digital competitiveness of the Bank.
- (III) To further carry out risk and asset quality management.** The Bank should actively implement various policies and systems of the Board of Directors on overall risk management and coordinate in the prevention of credit, market, liquidity, operation, reputation and other risks. It should profoundly learn lessons from Baoshang Bank and other risk incidents, focus on risks on key institutes, businesses, employees and sectors and pay more attention to group customers, platform businesses, private small and micro businesses, Internet-based credit, non-credit assets for operation, wealth management and investment businesses as well as information technology. It should consistently improve the management of large-scale risk exposure, strengthen effective risk management and control on group customers and unified credit management on different lines, enhance standard management of online businesses and regularly carry out inspections on risks to prevent significant risk incidents. The Bank should continue to take measures to dissolve non-performing assets in stock and consistently advance the improvement of asset quality while maintaining stable.
- (IV) To consistently deepen and refine fundamental management work.** By adhering to strict governance of the Bank, it should deeply promote special governance such as “Strengthening the Three Bases and Attaining the Four Adequacies” and faithfully implement regulatory policies and requirements. It should take advantage of accountability, implement the rectification of issues and strictly regulate operation and management to consistently consolidate the results in renovating messes. It should optimize the management of assets and liabilities and facilitate the coordinated development of asset and liability businesses in an orderly way. It



should optimize the cost-income ratio and other indicators, improve the financial alarming model, standardize financial management and boost the efficiency in resources allocation. It should meet the demands in the digital transformation, enhance top design, speed up in the intelligent transformation of outlets and actively promote the application of big data to remarkably boost the data governance and technology support. Combined with the construction of corporate culture and working styles, the Bank should further stamp out formalism and bureaucracy and actively create an atmosphere of voluntarily, bravely and skillfully shouldering responsibilities with practical work and entrepreneurship. It should further regulate the management of employee behaviors, increase human care and consistently enhance the cohesiveness and unity of the team.

- (V) **To further improve the coordinated management mechanism on institutes out of the province and affiliates.** The Bank should adapt to the new situation with more branches out of the province and significant expansion in cross-regional development of the Bank, strengthen the integration of corporate culture with compliance culture, firmly establish and improve the internal control and risk control mechanisms of branches out of the province and carry out differentiated authorization management and performance appraisal and other systems and measures in a scientific way to guide branches out of the province in displaying their advantages and maintaining sustainable and healthy development. It should further improve the management of affiliates, earnestly implement the requirements on consolidated financial statements of the group and intensify the overall consolidated financial statements management on finance, capital and risks. It should monitor the linkage, consolidate internal firewalls and consistently enhance synergy of strategies, businesses, risk control and mechanisms and promote the establishment of a pattern with coordinated linkage and integrated development.

Annex: Appraisal on the Performance of Duties of the Senior Management and its Members for 2019

**Annex:****Appraisal on the Performance of Duties of the Senior Management and  
its Members for 2019**

<b>Subject of appraisal</b>		<b>Appraisal results</b>
Appraisal on the senior management:		Competent
Appraisal on the senior management member:		
Zhang Renfu	President	Competent
Gao Guangcheng	Vice president	Competent
Yi Feng	Vice president	Competent
Xia Min	Assistant to president	Competent
Ni Jianxiang	Chief officer	Competent
Tang Chuan	Chairman of the labor union	Competent
Huang Xiaoyan	Chief officer	Competent
Zhou Tong	Chief officer	Competent
Li Dawei	Chief officer	Competent
Gao Chunming	Chief officer	Competent
Lian Baohua	Secretary to the Board	Competent

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## NOTICE OF THE ANNUAL GENERAL MEETING

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### Huishang Bank Corporation Limited\*

### 徽商银行股份有限公司\*

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

**(Stock Code: 3698 and 4608 (Preference Shares))**

#### NOTICE OF THE 2019 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 annual general meeting (the “AGM”) of Huishang Bank Corporation Limited\* (the “Bank”) will be held at 9:00 a.m. on Tuesday, June 30, 2020 at the Anhui Hall, 4/F, Anhui Hotel, No. 18 Meishan Road, Hefei, Anhui Province, the PRC. Details are as follows:

#### RESOLUTIONS

- (1) To consider and approve the final financial accounts for 2019 of the Bank;
- (2) To consider and approve the financial budget for 2020 of the Bank;
- (3) To consider and approve the profit distribution plan for 2019 of the Bank;
- (4) To consider and approve the appointment of external auditors of the Bank for 2020;
- (5) To consider and approve the Work Report of the Board of Directors of the Bank for 2019;
- (6) To consider and approve the Work Report of the Board of Supervisors of the Bank for 2019;
- (7) To determine the remuneration standard for executive Directors of the Bank for 2018;
- (8) To determine the remuneration standard for the former chairman of the Board of Supervisors of the Bank for 2018;
- (9) To consider and approve the election of Mr. Zhai Shengbao as an external Supervisor of the fourth session of the Board of Supervisors of the Bank;
- (10) To consider and approve the election of Mr. Zhou Zejiang as an external Supervisor of the fourth session of the Board of Supervisors of the Bank;

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- (11) To consider and approve the resolution on the general mandate for the issuance of Shares;
- (12) To consider and approve the resolution on the extension of the validity period of the plan on the initial public offering and listing of A Shares (“**A Share Offering**”) of the Bank;
- (13) To consider and approve the resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering;

**For the above resolutions, the resolutions numbered from (1) to (10) are ordinary resolutions and the resolutions numbered from (11) to (13) are special resolutions.**

### **Other Matters**

- (14) To receive the Report on Related Party Transactions for 2019 of the Bank;
- (15) To receive the Duty Report by the Independent Non-executive Directors for 2019 of the Bank;
- (16) To receive the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Board of Directors and Directors for 2019;
- (17) To receive the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Supervisors for 2019; and
- (18) To receive the Appraisal Report by the Board of Supervisors on the Performance of Duties by the senior management and its members for 2019.

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

Hefei, Anhui Province, the PRC  
May 15, 2020

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## NOTICE OF THE ANNUAL GENERAL MEETING

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*Notes:*

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), all votes of resolutions at the AGM will be taken by poll except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the voting results will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.hsbank.com.cn](http://www.hsbank.com.cn)) in accordance with the Listing Rules.
2. **Closure of register of members and eligibility for attending and voting at the AGM**

H Shareholders of the Bank are advised that the register of members of the Bank will be closed from Sunday, May 31, 2020 to Tuesday, June 30, 2020 (both days inclusive), during which time no transfer of H Shares of the Bank will be effected and registered. In order to qualify for attending and voting at the AGM, relevant transfer documents must be lodged with the Bank’s 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, by 4:30 p.m. on Friday, May 29, 2020.

Shareholders of the Bank whose names appear on the register of members of the Bank at the close of business on Friday, May 29, 2020 are entitled to attend and vote at the AGM.

3. **Cash dividend payment arrangement**

According to the Bank’s profit distribution plan for the year ended December 31, 2019, the Board of Directors recommends a cash dividend of RMB1.57 (tax inclusive) for every 10 shares based on the total share capital of 12,154,801,211 shares of the Bank at the end of 2019 in an aggregate amount of cash dividend of RMB1,908.304 million (tax inclusive), accounting for approximately 20% of the audited net profit of the Bank for 2019. When the total share capital has changed on the equity register date of dividend payment as a result of that there is increased share issuance prior to this date, the corresponding adjustments shall be made to dividend per share assuming the aggregate dividend declaration remains unchanged. Subject to approval by the AGM, the cash dividend will be paid to Domestic Shareholders and H Shareholders whose names appear on the register of members on Sunday, July 12, 2020. The proposed cash dividends payable are denominated in Renminbi, and will be paid to Domestic Shareholders in Renminbi and H Shareholders in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars will be based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the People’s Bank of China on the five working days preceding the date of declaration of the dividend at the AGM (June 23, 2020 inclusive). The cash dividends are expected to be distributed by the end of August 2020. The Bank will make further announcements after convening of the AGM in relation to details of the cash dividend distribution arrangements, including closure of share register and expected payment date.

**(1) Domestic Shareholders**

According to the relevant requirements of the Individual Income Tax Law of the People’s Republic of China, the Bank will withhold an individual income tax at the rate of 20% for natural person Shareholders whose names appear on the register of members for Domestic Shareholders on Sunday, July 12, 2020.

The dividend for Domestic Shareholders without affirmed ownership will be kept temporarily by the Bank and distributed upon the confirmation of the ownership.

**(2) H Shareholders**

The register of members in respect of the H Shares of the Bank will be closed from Tuesday, July 7, 2020 to Sunday, July 12, 2020 (both days inclusive). In order to be entitled to the final dividend, H Shareholders of the Bank who have not registered the relevant transfer documents are required to lodge the transfer documents, together with the relevant share certificates, with the Bank’s 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 not later than 4:30 p.m. on Monday, July 6, 2020.

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## NOTICE OF THE ANNUAL GENERAL MEETING

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Matters in relation to the proposed final dividend and income tax withheld in respect of dividends to be received by overseas non-resident individual/enterprise Shareholders as follows:

Pursuant to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011]348號)) of the State Administration of Taxation dated June 28, 2011, the dividends received by overseas resident individual Shareholders from the shares issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld and paid by the withholding agents according to the relevant laws. However, the overseas resident individual Shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China as well as the tax arrangements between Mainland China and Hong Kong (Macau).

Based on the above regulation, the Bank will withhold an individual income tax at tax rate of 10% for the individual H Shareholders. However, when other relevant tax regulations and tax arrangements have different requirements, the Bank will follow the requirement of the tax bureau.

The Bank will withhold an enterprise income tax at a tax rate of 10% for those non-resident corporate H Shareholders pursuant to the Law of the People's Republic of China on Enterprise Income Tax and relevant implementation rules which took effect from January 1, 2008.

For the purpose of payment of the dividend, "non-resident corporate Shareholders" refers to any Shareholders holding the Shares of the Bank in the name of non-individual Shareholders, which include but are not limited to the H Shareholders whose Shares are registered in the name of HKSCC Nominees Limited, other nominees or trustees, or other groups and organizations. Shareholders should read the above information carefully. If anyone would like to change the identity of the Shareholder, please enquire about the relevant procedures with the nominees or trustees. The Bank is neither obligated nor responsible for ascertaining the identity of the Shareholders. In addition, the Bank will withhold the enterprise income tax and the individual income tax in strict compliance with the relevant laws or regulations and the registered information on the H Shares register of members of the Bank as of the record date. The Bank will not entertain, or take any responsibilities for, any requests or claims in relation to any delay or inaccuracies in ascertaining the identity of the Shareholders or any disputes over the mechanism of withholding of the enterprise income tax and the individual income tax.

#### **4. Reply slip**

Shareholders intending to attend and vote at the AGM in person or by proxy should complete and lodge the accompanying reply slip and return it to the Bank's H share registrar (for H Shareholders) or the address of the registered office and principal place of business in the PRC (for Domestic Shareholders) of the Bank on or before Wednesday, June 10, 2020. The reply slip may be delivered by hand, by post or by fax to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) or the address of the registered office and principal place of business in the PRC (for Domestic Shareholders) of the Bank. Completion and return of the reply slip will not preclude the Shareholders from attending and voting at the AGM.

However, the failure to return the reply slip may result in an adjournment of the AGM, if the number of Shares carrying voting rights represented by the Shareholders proposing to attend the AGM by reply slip does not reach more than half of the total number of shares of the Bank carrying voting rights at the AGM.

#### **5. Proxy**

Every Shareholder who has the right to attend and vote at the AGM is entitled to appoint one or more proxies, whether or not they are members of the Bank, to attend and vote on his/her behalf at the AGM.

A proxy shall be appointed by an instrument in writing. Such instrument shall be signed by the appointer or his attorney duly authorized in writing. If the appointer is a legal person, the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorized in writing. In order to be valid, the instrument appointing a proxy and the power of attorney or other documents of authority (if any) under which it is signed, or a copy of such authority notarially certified, must be completed and returned to the Bank's H share registrar (for H Shareholders) or the registered office and principal place of business in the

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## NOTICE OF THE ANNUAL GENERAL MEETING

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PRC (for Domestic Shareholders) of the Bank no later than 24 hours before the time fixed for holding the AGM (i.e. 9:00 a.m. on Monday, June 29, 2020) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the AGM or at any adjourned meeting should you so wish.

6. According to the Articles of Association of the Bank, where a shareholder pledges 50% or more of his/her equity interests in the Bank, the voting rights of such shareholder at the shareholders' general meetings shall be subject to restrictions.

7. **Other businesses**

- (i) The AGM is expected to last for no more than half day. Shareholders and their proxies attending the meeting shall bear their own traveling and accommodation expenses.
- (ii) The address of Computershare Hong Kong Investor Services Limited is:

17M Floor, Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong  
Tel No.: (852) 2862 8628  
Fax No.: (852) 2865 0990

The address of the registered office and principal place of business in the PRC of the Bank:

The Board Office  
Block A, Tianhui Building  
79 Anqing Road  
Hefei  
Anhui Province  
the PRC  
Tel No.: (86) 0551 6266 7787  
Fax No.: (86) 0551 6266 7787

*As of the date of this notice, the Board of Directors of the Bank comprises of Wu Xuemin, Zhang Renfu and He Jiehua 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 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.*