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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))**

### **2020 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 Wednesday, June 30, 2021. The notice of the Annual General Meeting is set out on pages 64 to 67 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 Tuesday, June 29, 2021) 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 Thursday, June 10, 2021.

\* *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 25, 2021

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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:*

“2018 AGM”	the 2018 annual general meeting of the Bank held on June 30, 2019
“2019 AGM”	the 2019 annual general meeting of the Bank held on June 30, 2020
“Annual General Meeting” or “AGM”	the 2020 annual general meeting of the Bank to 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 Wednesday, June 30, 2021
“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, which was approved at the 2018 AGM and the validity period of which was approved to extend for 12 months by resolution at the 2019 AGM
“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, including subsidiaries and subordinate branches
“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank

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## DEFINITIONS

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“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Anhui Office”	the China Banking and Insurance Regulatory Commission Anhui Office (中國銀行保險監督管理委員會安徽監管局)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“CSRC Anhui 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)
“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 21, 2021, 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

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## DEFINITIONS

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“Non-public Issuance of Domestic Shares” or “Non-public Issuance of Shares”	the issuance of a total of 1,735,000,000 Domestic Shares to Deposit Insurance Fund Management Co., Ltd. (存款保險基金管理有限責任公司) and Anhui Transportation Holding Group Co., Ltd. (安徽省交通控股集團有限公司) by the Bank under the general mandate granted to the Board at the 2019 AGM. Such issuance was completed on January 4, 2021. For details, please refer to the Bank’s announcements dated January 7, 2020, August 20, 2020 and January 4, 2021
“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
“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))**

*Executive Directors:*

Mr. Yan Chen *(temporarily performing the duties of the Chairman)*

Mr. Zhang Renfu *(President)*

*Non-executive Directors:*

Mr. Zhu Yicun

Mr. Wu Tian

Mr. Wu Xuemin

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, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

## 2020 ANNUAL GENERAL MEETING

### I. INTRODUCTION

The Bank will convene the Annual General Meeting on Wednesday, June 30, 2021, and proposes the following resolutions at the meeting:

- (1) the final financial accounts for 2020;
- (2) the capital expense budget for 2021;

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## LETTER FROM THE BOARD

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- (3) the profit distribution plan for 2020;
- (4) the appointment of external auditors of the Bank for 2021;
- (5) the Work Report of the Board of Directors for 2020;
- (6) the Work Report of the Board of Supervisors for 2020;
- (7) the election of Mr. Ma Lingxiao as a non-executive director of the fourth session of the Board;
- (8) the general mandate for the issuance of Shares;
- (9) the extension of the validity period of the A Share Offering Plan;
- (10) the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering; and
- (11) the change of business scope and the amendment to the Articles of Association.

Items (1) to (7) are ordinary resolutions, and items (8) to (11) 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 2020, the Duty Report by the Independent Non-executive Directors for 2020 of the Bank, the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Board and the Directors for 2020, the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Supervisors for 2020, the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Senior Management and its Members for 2020 and the Notification of the Implementation of Resolutions of Shareholders' General Meetings.

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 2020

The final financial accounts for 2020 have been completed by the Bank in accordance with the relevant regulations. Based on the audited financial statements for the year ended December 31, 2020 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 2020 are as follows:

As of the end of 2020, the total assets were RMB1,271.701 billion, representing an increase of 12.37% from the beginning of the year, amounting to 100.55% of the total assets in the budget; the total liabilities were RMB1,166.028 billion, an increase of 11.88% from the beginning of the year, amounting to 99.72% of the total liabilities in the budget. For the year, the net profit was RMB9.921 billion, representing a decrease of 1.40% from last year, amounting to 114.03% of the net profit in the budget.

As of the end of 2020, the non-performing loan ratio was 1.98%, representing an increase of 0.94% from the last year; the provision coverage ratio of non-performing loan was 181.90%, representing a decrease of 121.96 percentage points from last year; the allowance-to-loan ratio was 3.61%, representing an increase of 0.46 percentage point from the last year.

As of the end of 2020, the core Tier 1 capital adequacy ratio was 8.04%, representing a decrease of 0.81 percentage point from last year; the Tier 1 capital adequacy ratio was 9.89%, representing a decrease of 0.96 percentage point from last year; and the capital adequacy ratio was 12.12%, representing a decrease of 1.09 percentage points from last year.

For details of the financial information of the Bank for the year ended December 31, 2020 audited in accordance with the International Financial Reporting Standards, please refer to the financial statements in the 2020 annual results announcement published by the Bank on March 26, 2021 and in the 2020 annual report despatched to the Shareholders by the Bank on April 27, 2021.



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## LETTER FROM THE BOARD

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### 2. Capital Expense Budget for 2021

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 RMB1,471 million in 2021, representing a decrease of RMB53 million compared to that in 2020, representing a year-on-year decrease of 3.53%, of which:

- (1) RMB481 million for operating premises;
- (2) RMB9 million for transportation facilities;
- (3) RMB51 million for office furniture, equipment and cashier facilities;
- (4) RMB67 million for equipment for security and defense;
- (5) RMB730 million for technology investments; and
- (6) RMB133 million for renovation and improvement costs of outlets.

### 3. Profit Distribution Plan for 2020

In 2020, the Bank under the headquarters realised an audited net profit of RMB9,147.48 million for the whole year. After 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 2020:

RMB914.748 million is to be appropriated to the statutory surplus reserve; RMB1,083.822 million is to be appropriated to the general risk reserve; and RMB914.748 million is to be appropriated to the discretionary surplus reserve, with a remaining distributable profit for the year of RMB6,234.162 million. It is proposed that the Bank not to distribute dividends in 2020. The main reasons are as follows:

At present, the regulatory authorities set a baseline of 7.5% and reserve a buffer zone of 0.5 percentage point as the window guidance requirement for the core Tier 1 capital adequacy ratio. According to the 2020 audit report, the Bank under the headquarters' core Tier 1 capital adequacy ratio is 7.61%, which is 0.39 percentage point lower than the window guidance requirement of the regulatory authorities. Maintaining a reasonable capital adequacy ratio is conducive to building a good market image, positively influencing the rating results of the rating agencies, enhancing the confidence of Shareholders, depositors and the public in the Bank, and effectively controlling financing costs.

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## LETTER FROM THE BOARD

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### **4. Appointment of External Auditors for 2021**

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 2021 in accordance with the China Accounting Standards, and also proposes the re-appointment of Ernst & Young as the overseas auditor of the Bank in 2021 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 2020 Annual General Meeting until the date of conclusion of the 2021 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 audit and interim review under the International Accounting Standards and annual audit, regular reporting of financial data, 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 audit reports for the purpose of the issuance of financial bonds and capital verification under the China Accounting Standards, etc.

### **5. Work Report of the Board of Directors for 2020**

The full text of the Work Report of the Board of Directors for 2020 is set out in Appendix I to this circular.

### **6. Work Report of the Board of Supervisors for 2020**

The full text of the Work Report of the Board of Supervisors for 2020 is set out in Appendix II to this circular.

### **7. Election of Non-executive Directors**

Reference is made to the announcement of the Bank dated March 26, 2021 in relation to the Board held a meeting on March 26, 2021 and passed a resolution on the proposed election of Mr. Ma Lingxiao (“**Mr. Ma**”) as an additional non-executive director of the fourth session of the Board at the Shareholders’ general meeting of the Bank. Biographical details of Mr. Ma are set out below:

Mr. Ma Lingxiao, born in July 1978, holds a doctorate degree in economics from Xi’an Jiaotong University and possesses the professional and technical qualifications of associate researcher. He is currently the deputy director of the early correction department of Deposit Insurance Fund Management Co., Ltd. (存款保險基金管理有限責任公司). He was formerly the section chief of the financial stabilization division, the director of the financial research division, the section chief, and the deputy researcher of the deposit insurance division of the operation management office of the People’s Bank of China.

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## LETTER FROM THE BOARD

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After the resolution on Mr. Ma's appointment as a non-executive director of the Bank was submitted to the AGM for consideration and approval, his qualification shall be subject to the approval of the CBIRC Anhui Office.

Mr. Ma will enter into a director's service agreement with the Bank. His term of office as a director is the same as that of the fourth session of the Board, which will commence from the date upon which his qualification as director is approved by the CBIRC Anhui Office and will end on the expiry date of the term of office of the fourth session of the Board. Mr. Ma, as a non-executive director of the Bank, will not receive any salary from the Bank.

To the knowledge of the Board of the Bank and save as disclosed above, Mr. Ma did not hold any directorship in any listed companies other than the Bank, nor did he hold any position in any subsidiary of the Bank in the past three years. He does not have any relationship with any other director, supervisor, senior management or substantial Shareholder of the Bank. As at the Latest Practicable Date, Mr. Ma does not have any interests in the Shares of the Bank or its associated corporations within the meaning of Part XV of the SFO.

Save as disclosed above, there is nothing in relation to the appointment of Mr. Ma that is 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.

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

In order to keep the capital adequacy ratio of the Bank constantly at the required level, meet the capital requirements of the Bank for its steady 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) 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; (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.

- (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; (f) other content to be

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## LETTER FROM THE BOARD

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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 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.

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## LETTER FROM THE BOARD

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### 9. Change of Business Scope and Amendment to the Articles

#### Change of Business Scope

- (I) In 2014, the Bank obtained securities investment fund custody (the “**Custody Business**”) qualification upon being approved by regulatory authorities, and carries out Custody Business. According to the Measures for the Administration of Securities Investment Fund Custody Business (Zheng Jian Hui Ling [No. 172], implemented on July 10, 2020) (《證券投資基金託管業務管理辦法》(證監會令[第172號], 2020年7月10日實施)) and the relevant provisions of China Securities Regulatory Commission on the institutions engaged in securities and funds business to apply for (renew) the Securities and Futures Business License (《經營證券期貨業務許可證》), the Bank proposed to clearly state the relevant content of the Custody Business in the business scope of the Bank’s business license.
- (II) According to the Directory of Specification of Business Scope (for Trial Implementation) (《經營範圍規範表述目錄(試行)》) issued by the State Administration for Market Regulation, the business scope of the following (including but not limited to) various foreign exchange businesses and related ancillary activities involving licences and approvals shall be registered with the specification of “foreign exchange business”, and business activities can only be conducted after licences and approvals are obtained: foreign exchange deposits and loans; foreign exchange remittances; international settlement; credit investigation; consultation; witness business and foreign exchange conducted at designated outlets upon approval; foreign exchange transactions and other foreign exchange businesses. At present, the coverage of the expression “foreign exchange trading as principals or as agents” in the business scope of the Bank is relatively narrow.

In view of the above reasons, the Bank proposed to change the business scope of the Bank including adding the content of “securities investment funds custody” and replacing “foreign exchange trading as principals or as agents” with “foreign exchange business” (the “**Change of Business Scope**”).

The business scope after the above changes is ultimately subject to change of industrial and commercial (filing) registration.

#### Amendment to the Articles

In view of the Bank’s intention of change of the business scope, the Bank proposed to amend to the Articles accordingly (the “**Amendment to the Articles**”).

The specific contents of the Amendment to the Articles are set forth below (amendments are marked in bold, strikethrough and underline):

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## LETTER FROM THE BOARD

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Article 13 The business scope of the Bank are as follows: taking deposits from the public; making short, medium and long-term loans; handling domestic and overseas payment settlements; accepting and discounting bills; issuing financial bonds; acting as agents to issue and honor and underwrite government bonds; trading government bonds and financial bonds; engaging in interbank lending; engaging in bank card business; engaging in ~~foreign exchange trading as principals or as agents~~ **foreign exchange business**; providing letters of credit and guarantee services; collecting and making payment as agents and acting as insurance agents; providing safe deposit box services; handling deposit and loan businesses as agents; **securities investment funds custody**; engaging in foreign exchange settlement and sales once approved by the People's Bank of China; and any other business purposes approved by the banking regulatory authorities of the PRC.

Except for the Amendment to the Articles, the contents of other articles of the Articles remain unchanged.

The special resolution is hereby proposed to the AGM to consider and approve the Change of Business Scope and the Amendment to the Articles and to agree to authorize the Board to, and the Board to delegate the authority to the senior management of the Bank to make corresponding adjustments to the textual expression of the business scope and the amendment to the Articles of Association according to the approval or filing of the securities/banking and insurance industry regulatory authorities and the industrial and commercial registration authorities, and handle the relevant procedures for the Change of Business Scope and the Amendment to the Articles of Association, including but not limited to regulatory approval, industrial and commercial (filing) registration of changes and business license renewal. The amended Articles of Association shall become effective upon approval by the banking and insurance industry regulatory authorities.

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

References are made to the Shareholders' circular and the notice of 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 the Shareholders' circular and the notice of 2019 AGM dated May 15, 2020 and the poll results of the 2019 AGM dated June 30, 2020 of the Bank in relation to, among others, the Bank's proposed extension of the validity period of the A Share Offering Plan. The relevant resolutions were considered and approved at the 2018 AGM and 2019 AGM respectively.

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, as considered and approved by the Board, 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. All proceeds to be 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.

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## LETTER FROM THE BOARD

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After obtaining the Shareholders' approval of the A Share Offering at the 2018 AGM, the Bank had engaged professional advisers to commence the preparation for the A Share Offering, and 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 CSRC Anhui Bureau in 2019. At present, the pre-listing tutoring is still in progress. The Bank is working on the A Share Offering preparation, including due diligence, auditing, the CSRC pre-listing filings, drafting prospectus and preparing application materials. The Bank started the work for the Non-public Issuance of Domestic Shares during 2020, and the Non-public Issuance of Domestic Shares was completed on January 4, 2021. 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) (the “**Administrative Measures for IPO**”), there should not be any substantial change in shareholding structure of the Bank during the CSRC vetting process for the A Share Offering. Therefore, the Bank did not file the listing application to the CSRC before the completion of the Non-public Issuance of Domestic Shares. In addition, according to the Certain Questions and Answers on IPO Business (I) (《首發業務若干問題解答(一)》) promulgated by the CSRC, “if a new shareholder is introduced by capital increase after the balance sheet date at the end of the most recent year, audit for another period shall be required before the application”. Therefore, upon the completion of the Non-public Issuance of Domestic Shares, an audit for another period shall be conducted by the Bank in accordance with such requirement and subject to the filing process of the A Share Offering, and the major application documents for the A Share Offering such as prospectus, sponsoring letter, legal opinions, financial statements and audit report shall be updated according to the audit results. Furthermore, according to the disclosure in the Annual Report for Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. (2020) published by Zhongjing Xinhua Asset Investment Management Co., Ltd. (中靜新華資產管理有限公司) (“**Zhongjing Xinhua**”), a substantial Shareholder of the Bank, on the Shanghai Stock Exchange (the “**SSE**”), after Zhongjing Xinhua terminated its transactions with Shanshan Holding Co., Ltd. (杉杉控股有限公司) (“**Shanshan Holding**”) in relation to the transfer of the Shares of the Bank and the equity interests in Zhongjing Sihai Co., Ltd. (中靜四海實業有限公司) (“**Zhongjing Sihai**”), major lawsuits, freezing of assets and other matters related to such transactions occurred successively<sup>1</sup>. According to the requirements of the Administrative Measures for IPO and relevant applicable opinions of the CSRC, the shareholdings of A-share

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<sup>1</sup> As disclosed in the announcements published by Zhongjing Xinhua and Shanshan Group Co., Ltd. (“**Shanshan Group**”) on the SSE, the case in respect of the dispute on equity transfer between Zhongjing Xinhua, and Shanshan Holding, Shanshan Group and Zhongjing Sihai has been accepted by the Shanghai Financial Court, and the first trial was held in January 2021. So far no judgment has been reached.

In the above-mentioned case in respect of the dispute on equity transfer, the matters involving the Shares of the Bank in the claims of Zhongjing Xinhua mainly include but not limited to ordering Shanshan Group to return 51.6524% equity interests in Zhongjing Sihai to Zhongjing Xinhua. The matters involving the Shares of the Bank in the claims of Shanshan Holding mainly include but not limited to ordering Zhongjing Xinhua to assist in the transfer procedures for 224,781,227 Domestic Shares of the Bank under its name.

In connection with the above-mentioned litigation, both Zhongjing Xinhua and Shanshan Holding applied for property preservation. The assets of Shanshan Group and its subsidiaries and Zhongjing Xinhua have been seized and frozen, including but not limited to 224,781,227 Domestic Shares of the Bank held by Zhongjing Xinhua which were judicially frozen.

According to the claims of all parties, assuming that Zhongjing Xinhua wins the lawsuit, Zhongjing Xinhua will regain control over Zhongjing Sihai and in turn indirectly hold 506,102,476 Domestic Shares of the Bank held by Zhongjing Sihai, representing approximately 3.64% of the total share capital of the Bank; assuming that Shanshan Holding wins the lawsuit, the number of Domestic Shares of the Bank directly or indirectly held by Shanshan Holding will increase by 224,781,227, representing approximately 1.62% of the total share capital of the Bank.

For details of the above-mentioned dispute on equity interests, please refer to the announcements published by Zhongjing Xinhua and Shanshan Group, respectively, on the SSE since July 2020.



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issuer shall be clear. The outcome of the dispute on equity interests between Zhongjing Xinhua and Shanshan Holding may lead to changes in major Shareholders holding more than 5% equity interests in the Bank in aggregate, which may also have certain impact on the approval of the A Share Offering of the Bank. Based on the information publicly disclosed by Zhongjing Xinhua, the above-mentioned dispute on equity interests has not yet been settled. According to the relevant provisions of the Civil Procedure Law of the People's Republic of China (Revised in 2017) (《中華人民共和國民事訴訟法(2017修正)》) and Some Rules Set Forth by the Supreme People's Court for Strictly Abiding by the Time Limits for Case Hearing and Execution (Revised in 2008) (《最高人民法院關於嚴格執行案件審理期限制度的若干規定(2008修訂)》), under normal circumstances, the people's court shall make the first instance judgment within twelve months after the first instance is filed and conclude the trial of the second instance (if any) within three months after the second instance is filed. Based on the information publicly disclosed, the first trial of the above-mentioned case in respect of the dispute on equity transfer was held in January 2021. Based on the principle of prudence and considering the current litigation process, the Bank reasonably expects that the above-mentioned case in respect of the dispute on equity transfer will be concluded within 24 months. Upon the conclusion of the above-mentioned case in respect of the dispute on equity transfer, the uncertainty of the ownership of the above-mentioned disputed Shares and its impact on the approval of the A Share Offering of the Bank will be eliminated.

Given the above, the Bank will fully communicate with some of its Directors and Shareholders, professional institutions engaged by the Bank or relevant regulatory authorities regarding the above situations and other matters concerning the A Share Offering, and actively promote the listing application for the A Share Offering once the application conditions are mature. It is expected that the vetting process of relevant regulatory authorities 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.

### **1. 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, and the extension of the validity period of the A Share Offering Plan for twelve months was considered and approved as a special resolution at the 2019 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, 2021, 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, 2021 to June 29, 2022). 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 14.41% of the Domestic Shares and approximately 10.80% 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.

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### 2. 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, and the extension of the validity period of the Authorization Resolution for 12 months was considered and approved as a special resolution at the 2019 AGM. Considering the relevant work on the A Share Offering is still proceeding, and the 12-month validity period specified in the Authorization Resolution will expire on June 29, 2021, 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, 2021 to June 29, 2022). 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 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:

	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</b> <sup>(Note 3)</sup>				
Shanghai Song Ching Ling Foundation (“ <b>SCL Foundation</b> ”) <sup>(Note 4)</sup>	224,781,227	1.62%	224,781,227	1.46%

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	As of the Latest Practicable Date	Approximate percentage of the Bank's issued share capital	Immediately after completion of the A Share Offering	Approximate percentage of the Bank's issued share capital
	Number of ordinary Shares <sup>(Note 1)</sup>		Number of ordinary Shares <sup>(Note 2)</sup>	
Deposit Insurance Fund Management Co., Ltd. ("DIFM")	1,559,000,000	11.22%	1,559,000,000	10.13%
Domestic Shares held by public and to be converted into A Shares upon completion of the A Share Offering <sup>(Note 5)</sup>	8,627,269,984	62.11%	8,627,269,984	56.06%
A Shares to be newly issued under the A Share Offering	–	–	1,500,000,000	9.75%
<b>Subtotal</b>	<b>10,411,051,211</b>	<b>74.95%</b>	<b>11,911,051,211</b>	<b>77.40%</b>
<b>H Shares</b>				
SCL Foundation <sup>(Note 4)</sup>	1,245,864,400	8.97%	1,245,864,400	8.10%
H Shares held by the public	2,232,885,600	16.08%	2,232,885,600	14.51%
<b>Subtotal</b>	<b>3,478,750,000</b>	<b>25.05%</b>	<b>3,478,750,000</b>	<b>22.60%</b>
<b>Total</b>	<b>13,889,801,211</b>	<b>100%</b>	<b>15,389,801,211</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.
- 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.
- Upon completion of the A Share Offering, all existing Domestic Shares in issue will be converted into A Shares.

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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, 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, 215,249,000 H Shares, 590,615,400 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 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. Assuming that the existing shareholdings or percentages of Zhongjing Xinhua, Zhongjing Xinhua HK, Wealth Honest and Golden Harbour remain unchanged during the period after the Latest Practicable Date and prior to the completion of the A Share Offering, the total number of Shares of the Bank held by the aforementioned companies will not reach 10% of the total issued ordinary share capital of the Bank upon the completion of the A Share Offering. Therefore, SCL Foundation and the aforementioned companies will cease to be core connected persons of the Bank, and their holdings of the Bank’s Shares will be regarded as being held by the public.
5. 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 16,100 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.
6. Any discrepancies between the total percentages and sum of items shown in the table are due to rounding.

Save as the Non-public Issuance of Domestic Shares completed by the Bank on January 4, 2021, the Bank did not carry out any other fund-raising activity in connection with issuance of share capital within the 12 months immediately preceding the Latest Practicable Date.

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 16.08%, which is lower than the minimum as required under Rule 8.08 of the Listing Rules. According to the resolutions of the Board, the Bank is intending to make its best effort to restore the public float by way of the A Share Offering as soon as possible. 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 89.87% of the Bank’s enlarged share capital will be held by the public immediately after the completion of the A Share Offering.

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### (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 domestic 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 CSRC Anhui 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 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, 2020, the Bank's audited net asset value per Share was RMB6.27. 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, 2021, 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%.

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**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 Wednesday, June 30, 2021 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 64 to 67 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 Thursday, June 10, 2021. 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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### 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 2020 (which is set out in Appendix V to this circular), the Duty Report by the Independent Non-executive Directors for 2020 (which is set out in Appendix VI to this circular), the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Board and Directors for 2020 (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 2020 (which is set out in Appendix VIII to this circular) and the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Senior Management and its Members for 2020 (which is set out in Appendix IX to this circular) and the Notification of the Implementation of Resolutions of Shareholders' General Meetings (which is set out in Appendix X to this circular) .

By order of the Board  
**Huishang Bank Corporation Limited\***  
**Yan Chen**  
*(Temporarily performing the duties of the Chairman)*  
*Executive Director*

Hefei, Anhui Province, the PRC  
May 25, 2021

\* *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.*

2020 was an unprecedented year. The sudden COVID-19 pandemic caused significant effects on the world economy, the production of enterprises and residents' life and brought lasting and far-reaching significant uncertainties. The economic, financial and regulatory policies saw continuous adjustments and the operating environment for commercial banks witnessed profound changes. Anhui was hit by the catastrophic floods rarely seen last year. The dual pressures of the battle against floods and the pandemic posed serious challenges to the operation and development. Last year was also a historical year for Huishang Bank to establish new development patterns and embark on a new journey on development. In the face of the severe and complex situation, the Board of Directors gave full play to the collective intelligence, responded to the crisis with decisive decision-making and made solid steps amid the challenges, achieving the working targets of making progress while remaining stable and preliminarily establishing new development patterns.

As at the end of 2020, the Bank recorded total assets of RMB1,271.7 billion (in domestic and foreign currencies), representing an increase of 12.37% as compared with the end of the last year; balance of customer deposits of RMB726.743 billion, representing an increase of 20.43%; an increase of 22.86% in net loans and advances to customers to RMB553.399 billion, with increased scale of deposits and loans both exceeding RMB100 billion; corporate deposits continuously ranking first in Anhui Province and new retail deposits ranking the first in the province. During the year, Huishang Bank deeply implemented decisions and arrangements on “ensuring stability on six key fronts” and “maintaining security in six key areas”, vigorously supported medium, small and micro enterprises, implemented the policies to reduce fees and share benefits and effectively controlled the impacts of the pandemic and the floods, achieving stable operating results. It recorded a net profit of RMB9,921 million during the year, maintaining a stable profitability. The Bank followed the sound, rational and prudent risk control concepts, actively solved risks related to asset quality of acquired branches with the non-performing loan ratio controlled at 1.98% and the overall asset quality under control. The Bank vigorously promoted the Non-public Issuance of Shares and improved the shareholding structure. It replenished the core Tier 1 capital by RMB9,894 million, thus greatly supported the operation and development of the whole Bank.

The major work report for 2020 is presented as follows:

## **I. FIRMLY ADHERING TO STRATEGIC POSITIONING AND VIGOROUSLY SUPPORTING THE FIGHT AGAINST THE PANDEMIC AND FLOODS**

In the face of the challenges, the Board of Directors maintained the market position as a bank “serving the local economy, serving small and medium enterprises (“SME(s)”) and serving the general public”, resolutely supported the management to focus on key areas under the “ensuring stability on six key fronts” and “maintaining security in six key areas” and continuously boosted credit supply. It adhered to the principle of “handling special matters with special methods” during the outbreak of the pandemic. On the prerequisite of risk prevention and control, it organized and convened relevant meetings of the Board of Directors in a standard and efficient manner with the focus on credit supply for supporting the fight against the pandemic and disasters. In 2020, the Board of Directors maintained its strategic focus. Facing the severe situation, it adhered to returning to the fundamental purposes, studied



and considered relevant resolutions on operation and development, supported the management in boosting the support to real economies and served enterprises in work and production resumption. The Board of Directors supported and led the Bank to prioritize serving the construction of “new infrastructure, new urbanization initiatives and major projects” as well as key projects within the province, focus on financing supports to manufacturing, technology-driven and green and environmental enterprises, strengthen financial services to private, small and micro enterprises and strongly served the overall situation of poverty alleviation and the fight against the pandemic and disasters. After considering the changes in the internal and external environment, the Board of Directors sought truth from facts and adjusted operation plans to achieve the target of maintaining sound and reasonable results.

## **II. FOCUSING ON CAPITAL REPLENISHMENT AND CONTINUOUSLY IMPROVING CORPORATE GOVERNANCE**

To strengthen the capital adequacy ratio management, the Board of Directors studied and determined the Capital Replenishment Plan of Huishang Bank for 2020-2022. Focusing on the development strategies of the Bank, the Board of Directors comprehensively considered business development plans, financial plans, risk control plans and investment and financing plans, comprehensively and deeply analyzed the capital adequacy ratio and deficiencies, conducted assessment on capital adequacy and designed capital replenishment plans and management plans. In 2020, it considered and approved relevant resolutions and planned to issue tier-2 capital bonds with no more than RMB20 billion by 2021. It successfully issued the first tranche tier-2 capital bonds in the national inter-bank bond market with an issuance size of RMB8 billion during the year. The bonds are fixed rate bonds with a maturity of 10 years and a coupon rate of 4.5%. The successful issuance of tier-2 capital bonds further improved the capital adequacy ratio and boosted the risk-resistance capacity. To further enhance capital management, the Board of Directors followed and studied regulatory policies, analyzed the market environment and researched international ratings, mulled the issuance of bonds and explored the establishment of diversified capital replenishment mechanisms. Meanwhile, it maintained communications with stakeholders and continuously promoted relevant work in the issuance and listing of A shares.

To effectively reduce the impacts of the participation in the reorganization of the former Baoshang Bank Limited (the “Baoshang Bank”), the acquisition of four branches and the prices of the payment business on the core capital adequacy ratio of the Bank, the Board of Directors convened meetings, prudently studied methods for replenishing core capitals and determined plans on the non-public offering of shares to vigorously promote the replenishment of core capitals. With continuous efforts and tiding over various difficulties, the Board of Directors promoted the completion of plan formulation, negotiation, regulatory approval, contribution and capital verification, shares registration and other work and issued a total of 1,735 million shares to DIFM and Anhui Transportation Holding Group Co., Ltd. (the “Anhui Transportation Holding”) at RMB5.703 per share within the scope of the authorization at the general meeting. The share capital of the Bank increased from RMB12,155 million to RMB13,890 million and RMB9,894 million of the proceeds were used in replenishing the core tier-1 capitals, which further enhanced the capital strength and vigorously guaranteed the stable business development of the Bank.

### III. OVERCOMING THE IMPACTS OF THE PANDEMIC AND MAINTAINING STANDARD OPERATION OF GOVERNANCE MECHANISMS

Firstly, preparing and convening relevant meetings in accordance with laws and regulations. It earnestly implemented measures on the prevention and control of the pandemic to overcome the impacts of the pandemic. The Board of Directors convened and held 2 general meetings, at which 16 proposals were considered and approved, including participating in the establishment of Mengshang Bank Co., Ltd. (the “Mengshang Bank”), the acquisition of certain assets and liabilities of Baoshang Bank, the proposal on profit distribution, the issuance of tier-2 capital bonds and other significant matters. The Board of Directors prepared and held 13 Board meetings, at which 77 proposals were considered and reviewed; and 26 special committee meetings, at which 94 proposals were considered and reviewed, covering proposals regarding non-public offering of shares, financial budget (final accounts) reports, comprehensive operation plans, capital replenishment plans, risk management policies and significant related party transactions. Secondly, implementing the full leadership of the Party organization on corporate governance. The Board of Directors advanced the deep integration of the Party leadership into all links of corporate governance, abided by relevant provisions of the Articles of Association and resolutely carried out pre-procedures of research and discussion by the Party committee of the Bank. Thirdly, continuously improving the incentive and restrictive mechanisms. It studied and formulated assessment plans, designed assessment indicators in a scientific manner and enhanced the performance assessment management on executive Directors and senior management by the Board of Directors. It completed the performance assessment on executive Directors and senior management for 2019 and applied the assessment results in the calculation of remuneration for 2019. It considered and approved the performance assessment plan on senior management for 2020 and made corresponding adjustments to the assessment plan after considering the macro-economic environment and the adjustments to the operation plans of the Bank. Fourthly, standardizing information disclosure. It considered and approved the resolution on the appointment of external auditors for 2020, completed the external audit work and disclosed the 2019 annual report and the 2020 interim report according to relevant requirements. The Bank disclosed over 50 temporary announcements throughout the year, covering acquisition and takeover of certain branches of Baoshang Bank, the Non-public Issuance of Shares, the approval of the wealth management subsidiary and other significant matters. It disclosed domestic and overseas authoritative information in a timely and accurate manner and fully guaranteed the right to information of Shareholders and other stakeholders.

### IV. IMPROVING THE INTERNAL CONTROL SYSTEM AND CONTINUOUSLY ENHANCING RISK CONTROL

Firstly, continuously improving the internal control system. In 2020, the Board of Directors and its special committees considered the formulation of and amendments to various systems and measures, including the Temporary Provisions on the Management of Abstention from Performing Duties by Employees of Huishang Bank, the Administrative Measures for Collaterals of Huishang Bank, the Temporary Measures for Data Governance of Huishang Bank and the Working Plan on Duty Performance and Performance Assessment of Substantial

Shareholders of Huishang Bank, considered and approved the adjustment to the concentration limit on investment in corporate bonds, confirmed the changes to the information of related parties, carried out assessment on duty performance of substantial shareholders and consistently improved the internal control system. Secondly, conducting internal control assessment. It urged relevant departments to carry out hierarchical and independent assessment on business divisions of the headquarters, branches, subsidiaries and relevant lines of business in terms of internal environment, risk appraisal, control activities, information and communications, internal supervision and other aspects. It comprehensively assessed the effectiveness of the internal control system and promoted the standardization and improvement on such basis. Thirdly, consistently enhancing overall risk management. It studied and determined the statements of risk preference and the guideline on risk management policies for 2020. Adhering to the basic principle of “balancing risks and revenue and covering risks with capitals”, it urged the whole Bank to strictly implement the risk appetite featuring “prudence, rationality and soundness” to achieve the balance of capitals, risks and revenue. It consistently enhanced the management of credit risk, market risk, liquidity risk, operational risk, interest risk in account books, reputation risk, information technology risk and risks on other key sectors, specified detailed management policies and sped up in advancing the transformation of digital risk control and enhancing the fundamental work in risk management. Fourthly, improving internal audit. It studied and determined the Audit Plan of Huishang Bank for 2020 and the Internal Audit Plan of Huishang Bank for 2020-2022, specifying to determine key audit areas and frequency from corporate governance, overall risk management, internal control assessment, credit business, non-credit businesses, financial management, accounting operation, information technology, economic liabilities, subsidiaries and subsequent audit and further expanded the scope and depth of audit and supervision to further enhance standard and scientific audit, improve the audit capacity and efficiency and promote the stable operation of the business development, operation and management across the Bank.

#### **V. ADVANCING THE COMPLETION OF ACQUISITION OF BRANCHES AND ACTIVELY ESTABLISHING NEW DEVELOPMENT PATTERNS**

The Board of Directors resolutely implemented decisions and deployments of the central government on preventing and dissolving significant risks. Based on the overall requirements on “having the takeover capacity and ensuring sound management, sustainable development and prevention of risks”, it overcame huge difficulties and advanced the completion of investment in Mengshang Bank and the acquisition of four branches of Baoshang Bank out of the Inner Mongolia Autonomous Region. After completing relevant decision-making procedures in accordance with laws and regulations, it gradually advanced personnel allocation, financial calculation, business undertaking, data transfer and other important work in an orderly manner through elaborate planning and careful arrangement. It innovatively adopted the “dual-counter” model to steadily promote systematic and business division. On 25 May, the Beijing, Shenzhen, Chengdu and Ningbo branches of the Bank and their outlets successfully opened for business. On 19 September, it successfully completed data transfer and put into operation after 3 rounds of business tests, 3 rounds of technical tests, 4 rounds of operation exercises and 375 production orders from 47 systems and completed the shift from “dual-counter” to the regular “single-counter” operation of Huishang Bank. During the

acquisition and takeover, the Board of Directors always safeguarded the core interests of the Bank and tried their best to achieve value preservation and appreciation of assets acquired and create favorable conditions for a good beginning of the operation and management of the four branches after long-term tough negotiations with various parties. After the completion of the acquisition and takeover, it adhered to the market positioning as a city commercial bank, focused on “stabilizing the team and businesses, safeguarding assets and enhancing management”, displayed the geographical, capital and talent advantages of the four branches and sped up in integration into the Yangtze River Delta, Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macau and the Chengdu-Chongqing Economic Circle, gradually developing the new cross-regional development pattern under the “coordination of the Bank”.

The Bank also achieved important breakthroughs in the financial service sector last year. It established the first wealth management subsidiary in central areas and the third subsidiary among city commercial banks and preliminarily developed an operation pattern with the banking business as the body with various types of financial businesses. Standing at the new starting point for development, the Board of Directors will focus on enhancing the adaptability, competitiveness and inclusiveness of financial services based on the guiding opinions of regulatory authorities on high-quality development, lead the Bank in the deep integration into key works under the “14th Five-year Plan”, seize the opportunities in the new development patterns with the mutual promotion of domestic and international circulations and fully promote high-quality development.

Amidst the period in which the timeframes of the “Two Centenary Goals” converge, 2021 will be the first year for Huishang Bank to forge ahead from the new starting point. The Board of Directors will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era; act on the general principle of pursuing progress while ensuring stability; lead the Bank to solidly carry out the work “ensuring stability on six key fronts” and fully implement tasks on maintaining “security in six key areas”; focus on high-quality development as the main line and strive to build a leading digital city commercial bank; and focus on new pattern, new stage, new concept, new strategies, new abilities. It will strongly support the Bank to focus on five key tasks, including assets input, coordinated development, customer service, digital banking and fundamental management, achieve more steady development, better structure and more solid management and fully build a modern bank with high-quality development and embrace the 100th anniversary of the founding of the Party with outstanding results!

In 2020, with the focus on the high-quality development of the Bank, the Board of Supervisors integrated the normalized prevention and control of the epidemic and the active performance of statutory duties, strictly implemented regulatory requirements, solidly conducted supervision, continuously promoted the improvement of corporate governance and facilitated the operation in accordance with laws and regulations, effectively playing the role of the Board of Supervisors.

## **I. MAJOR WORKS DURING 2020**

- (I) Completing the election of the Chairman of the Board of Supervisors and certain Supervisors and further optimizing the structure of the Board of Supervisors.** For the resignation of certain Supervisors due to the job adjustment and other reasons, the Board of Supervisors organized and conducted the election in a timely manner based on the regulatory requirements and the procedures of corporate governance and elected two employee Supervisors and two external Supervisors. It completed the election of the Chairman of the Board of Supervisors to ensure the standard operation and effective duty performance of the Board of Supervisors of the Bank. It also adjusted and elected members of the Nomination Committee and the Supervisory Committee under the Board of Supervisors, promoting the display of the role of special committees in supporting the decision-making.
- (II) Earnestly performing supervision duties on issues discussion and convening meetings of the Board of Supervisors in a standard and efficient manner.** In 2020, based on the requirements on the normalized prevention and control of the epidemic, the Board of Supervisors organized the convening of 25 meetings of the Board of Supervisors and its special committees in the form of telephone meetings, on-site meetings and written resolutions, representing an increase of 5 meetings as compared with last year and including 11 meetings of the Board of Supervisors, 4 meetings of the Nomination Committee and 10 meetings of the Supervisory Committee. The Board of Supervisors listened to 8 special reports on data governance, internal audit and financial reports, considered 36 resolutions on the annual report, duty performance reports, measures on the implementation of guiding opinions on high-quality development and reports of periodical progress, the social responsibility report and measures for data governance, reviewed 34 special reports on operation, asset quality, anti-money laundering, compliance management, related party transactions and protection of consumers' interests and proposed constructive advices and suggestion on relevant matters.

**(III) Continuously enhancing key supervision and implementing the supervisory function of the Board of Supervisors.**

- 1. Deeply conducting performance supervision and appraisal.** It solicited opinions and suggestions on duty performance of the Board of Directors, senior management and the members from certain shareholder representatives, presidents of branches and responsible persons of the divisions of the headquarters and subsidiaries through on-site symposiums and written questionnaires. It organized on-site evaluation and appraisal on Supervisors and paid particular attention to the exercise of powers and the performance of obligations in accordance with laws by the Board of Directors and senior management on corporate governance, development strategies, operation and management, capital management, financial management, risk management, internal control, related party transactions, remuneration management, information disclosure, data governance and the protection of consumers' interests, respectively formed annual performance appraisal reports of the Board of Supervisors on the Board of Directors, Directors, senior management and the members and report to the Shareholders' general meeting and regulatory authorities in a timely manner based on regulations and procedures.
  
- 2. Solidly conducting financial supervision.** The Board of Supervisors carefully considered the truthfulness, accuracy and completeness of the annual report and the compliance of the preparation procedures and proposed suggestions on further optimizing the asset and liability structure, enhancing capital and liquidity management, reinforcing overall risk and asset quality management and boosting the profitability. It organized the consideration of the annual profit distribution plan and proposed written audit opinions on the compliance and rationality of the plan. Based on strengthening capital management, it proposed reasonable profit distribution to enhance endogenous capital replenishment, actively expand channels for capital replenishment and boost asset turnover to improve capital management. It organized the consideration of the interim report and proposed opinions on optimizing the structure to consistently improve the development quality, boost capital sufficiency with various measures and balance all aspects to improve risk management based on the impacts of the epidemic, the acquisition of branches out of the region and the establishment of the wealth management subsidiary on the business and capital. It regularly listened to reports on the operation of the Bank, the preparation of financial statements and the audit and review results, regularly analyzed changes in major financial data of the Bank and reviewed reports on budget and final accounts to enhance financial management and regulate financial activities.

- 3. Focusing on enhancing overall risk management and supervision.** The Board of Supervisors consolidated the supervision on the establishment of risk management systems and focused on the establishment of the overall risk management structure, the formulation of risk management systems and policies, risk appetite and transmission mechanism of the Bank, analyzed the impacts of the adjustments to regulatory policies and rules and their effects on the business operation of the Bank and proposed opinions and suggestions on further improving the risk quota management plans, standardizing the disposal of non-performing assets and strengthening consolidated financial statements management. It intensified supervision on the decision-making process of risk management and supervised the exercise of power and fulfilling of obligations by the Board of Directors, senior management and its members in the decision-making process through attending relevant meetings of the Board of Directors and senior management and conducting special inspections and routine performance supervision. It reinforced monitoring on significant matters, organized special inspections on key credit risk incidents and proposed advices and suggestions on promoting reorganization in accordance with laws, strengthening credit investigation and management and credit approval and control and enhancing bills risks management. The Board of Supervisors strengthened supervision on the implementation of risk management policies, organized the consideration and review of work reports on asset quality, large-scale risk exposure, liquidity risk and case prevention, paid attention to asset quality, the disposal of non-performing assets and operational risks as well as key areas, institutes and business risk management to promote the implementation of overall risk management measures.
- 4. Continuously deepening internal control supervision.** The Board of Supervisors continuously paid attention to the operation of the internal control system, the establishment of systems, the optimization of process and the duty performance by the “three defense lines” of the Bank. It actively facilitated the establishment of management systems of branches out of the province and consolidated financial statements management systems of subsidiaries and supervised the effectiveness of the internal control systems. It reviewed the appraisal report on the operation of internal control and proposed opinions and suggestions on enhancing evaluation on key areas, specifying assessment contents and strengthening the application of internal control appraisal results to promote the improvement of the internal control appraisal system. It organized the consideration of the audit work report, proposed opinions on enhancing the audit of economic liabilities, strengthening the establishment of information-based audit and boosting the rectification of issues in audit and promoted the improvement of the breadth and depth of the audit work. It reinforced supervision on anti-money laundering, information disclosure, case management and other areas, monitored major internal control indicators and the operation of the information system and promoted the implementation of measures on overall risk management.

**(IV) Innovatively expanding supervision and practice and further improving the supervision quality and efficiency of the Board of Supervisors.**

- 1. Conducting follow-up supervision and appraisal on the implementation of strategies.** The Board of Supervisors organized the appraisal on the supervision on the previous five-year plan and annual implementation, considered the appraisal report on the annual implementation of strategic plans with the focus on the implementation of strategic plans, the formulation of the digital transformation strategy, the implementation of the overall risk management strategy and the strategic management and control of the group on cross-regional and diversified development in the new stage. It also appraised the scientificity, reasonableness and effectiveness of development strategies, formulated the strategic appraisal report and proposed opinions and suggestions on strengthening strategic response to changes in the economic and financial situation, enhancing the strategic coordination of business development and risk control on the group level and accelerating the establishment of systems and mechanisms corresponding to the digital transformation strategies to promote the enhancing and improvement of strategic management.
- 2. Organizing special supervision and appraisal on authorization management.** The Board of Supervisors organized special supervision and appraisal on authorization management of the Bank and formulated working plans on special supervision and appraisal on authorization. It carried out an overall summarization and analysis on the establishment of the authorization system, the improvement of the authorization system, the standardization of the authorization procedures, the compliance exercise and use of power and the management of authorization basis through off-site analysis, on-site inspections and inter-bank inspections and communications and formulated the supervision appraisal report. It proposed suggestions on further improving the authorization management systems, enhancing the standardized implementation of authorizations, enhancing supervision and inspection on authorization management and reinforcing guarantees on authorization management and made feedbacks to the Board of Directors and senior management based on the procedures. The Board of Directors and senior management attached great importance to the report and are actively implementing it with relevant departments.



**3. Organizing the audit of the economic liabilities of the senior executives.**

The Board of Supervisors organized audit of the economic liabilities of three senior executives during their respective tenure and issued an audit report. The audit report was based on facts, completely reflected the development of their businesses during their tenure, objectively appraised the performance of economic liabilities during their tenure and proposed relevant audit suggestions on their duty performance.

**(V) Constantly enhancing self-development and continuously building up capabilities to perform duties.**

It publicized regulatory policies and opinions and instructions of interview summaries based on regulatory requirements, enhanced communications with regulatory authorities and organized the consideration and review of the report on the implementation by the Bank. It actively carried out the rectification of issues on improving the corporate governance and duty performance by the Board of Supervisors based on regulatory interview summaries and the letter of regulatory opinions, regulated the convening, holding and voting procedures of the Board of Supervisors to ensure the efficient operation of the Board of Supervisors. Based on actual demands in the supervision on duty performance, it amended the Supervision and Inspection Measures on the Board of Supervisors in a timely manner, further specifying the contents, procedures and methods of supervision and inspection to ensure the standard supervision and inspection activities of the Board of Supervisors. It fully summarized the system of powers and duties and duty performance procedures of the Board of Supervisors, intensified coordination and linkage with audit, compliance and other internal supervision bodies and promoted the converging of regulatory forces. It arranged Supervisors to participate in trainings on improving the functions of the Board of Supervisors and the duty performance capacities of the Supervisors and promoted Supervisors to improve their professional quality and duty performance capacities.

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

**(I) The operation in compliance with laws.** During the Reporting Period, the Board of Directors and senior management of the Bank continued legal compliance of operations and the decision-making procedures complied with laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and senior management diligently and faithfully performed the responsibilities defined by the Bank's Articles of Association.

**(II) Preparation of financial report.** Preparation and review procedures of the financial report were in compliance with laws, regulations and regulatory rules. The contents of the report reflected the Bank's actual conditions in a true, accurate and complete manner. The Board of Supervisors has no objection to the standard unqualified audit report audited and issued by Ernst & Young in accordance with ISAs.

- (III) Related party transactions.** During the Reporting Period, related party transactions of the Bank complied with national laws and regulations and the Articles of Association of the Bank and the Board of Supervisors did not identify any circumstance that harmed the interests of the Bank and the shareholders.
- (IV) Internal control.** During the Reporting Period, the Bank strived to put internal control as its priority, strictly implemented regulatory requirements and continued to strengthen and improve internal control. The Board of Supervisors had no objection to Huishang Bank 2020 Internal Control Assessment Report.
- (V) Risk management.** During the Reporting Period, the Bank adhered to categorizing policies, addressing both root causes and symptoms, strengthened risk management and control in key areas, advanced risk disposal in an orderly manner, continued to promote the establishment of a comprehensive risk management system and intensified the implementation of responsibilities. All risk regulatory indicators remain stable and the overall risk situation is controllable.
- (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 2020, 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.
- (VII) Implementation of information disclosure systems.** During the Reporting Period, the Bank carefully implemented information disclosure management systems and performed information disclosure obligations. No non-compliance with laws and regulations was identified in information disclosure.

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, 2022.

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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 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 by 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.

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**APPENDIX IV      AUTHORISATION IN RELATION TO THE A SHARE OFFERING**

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- (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 the authority to 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, 2022.

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 2020 are as follows:

## I. RELATED PARTY TRANSACTIONS

The related party transactions of the Bank mainly involve ordinary on-and off-balance sheet bank businesses such as loans, bond investments, check-discounting, acceptances, letters of credit and guarantees. As at the end of 2020, the aggregated balance of the related party transactions of the Bank amounted to RMB28,177,000,000.

(I) **Related party transactions with related legal persons.** As at the end of 2020, 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, 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., Zhongjing Sihai Co., Ltd., Wuhu Construction Investment Co., Ltd., Anhui Publishing Group Co., Ltd., and Huishang Bank Wealth Management Co., Ltd., with an aggregated balance of RMB27,618,000,000.

- 1. 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 Chizhou Wenergy Natural Gas Co., Ltd. (池州皖能天然氣有限公司), Anhui Wenergy Company Limited (安徽省皖能股份有限公司) and Huaibei Huancheng Power Generation Co., Ltd. (淮北澳城發電有限公司). 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 2020, the Bank paid natural gas fees of RMB500 to Chizhou Wenergy Natural Gas Co., Ltd. (池州皖能天然氣有限公司); 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); and Huaibei Huancheng Power Generation Co., Ltd. (淮北澳城發電有限公司) had a balance of working capital loans of RMB150,000,000.
- 2. 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., Hefei Guoyuan Micro-credit Co., Ltd. (合肥國元小額貸款股份有限公司), Guoyuan Securities Company Ltd., Changsheng Fund Management Company Limited,

Anhui Guoyuan Trust Company Ltd., Guoyuan Agricultural Insurance Co., Ltd. and Huangshan Guoyuan Hotel Co., Ltd. (黃山國元大酒店有限公司). 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 2020, the Bank invested in the asset-backed securities of RMB30,000,000 issued by Anhui Micro-Refinancing Co., Ltd. Anhui Micro-Refinancing Co., Ltd. had a balance of working capital loans of RMB140,000,000 and a balance of letters of external guarantees of RMB118,368,800. Hefei Guoyuan Micro-credit Co., Ltd. (合肥國元小額貸款股份有限公司) had a balance of working capital loans of RMB23,200,000. The Bank invested in the bonds of RMB2,720,000,000 underwritten by Guoyuan Securities Company Ltd. The Bank received custodian fees of RMB6,050,800 for the asset management plans and an interest of RMB5,417,200 on pledged reverse repo transactions from Guoyuan Securities Company Ltd., paid a management fee of RMB3,107,800 for capital trust plans and asset management plans. The Bank received brokerage fees of RMB60,800 for agency service for sales of funds from Changsheng Fund Management Company Limited, received an interest of RMB2,269,200 on bonds reverse repo transactions and paid an interest of RMB680,900 on inter-bank certificates of deposits and spot bonds trading of RMB30,000,000. The Bank received an income of RMB38,600 for agency service for sales of intermediary businesses from Anhui Guoyuan Trust Company Ltd., received custodian fees of RMB7,930,900 for the trust plans and paid a management fee of RMB593,200 for the asset management plans. The Bank purchased various insurance of RMB123,800 from Guoyuan Agricultural Insurance Co., Ltd. The Bank paid reception fees of RMB6,400 to Huangshan Guoyuan Hotel Co., Ltd. (黃山國元大酒店有限公司).

3. **Anhui Transportation Holding Group Co., Ltd.** Anhui Transportation Holding 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, 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 Network Operations Company Limited (安徽省高速公路聯網運營有限公司), Dingyuan Urban and Rural Bus Co. Ltd. (定遠縣城鄉公交有限公司), Zongyang Public Transportation Co. Ltd. (縱陽縣公共交通有限公司), Mingguang Urban and Rural Bus Co., Ltd. (明光市城鄉公交有限公司) and Wanjiang Financial Leasing 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 2020, Anhui Transportation Holding had a balance



of fixed-asset loans of RMB249,375,000 and a balance of working capital loans of RMB450,000,000. The Bank invested in Bosera Furong purely bond securities investment fund of RMB90,000,000, invested in Huaan Anhe bond securities investment fund of RMB48,000,000, and invested in Galaxy Mingyi 3-month fixed bond securities investment fund of RMB62,000,000, the de facto borrower of which is Anhui Transportation Holding. 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 RMB5,275,200. 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 RMB24,441,900. 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 RMB12,883,700. The Bank paid advertising fees of RMB200,000 and RMB230,000 to Anhui Expressway Broadcasting Co., Ltd. (安徽高速廣播有限公司) and Anhui Expressway Media Co., Ltd. The Bank paid expressway tolls and ETC electronic tag purchase fee of RMB15,130,300 to Anhui Expressway Network Operations Company Limited (安徽省高速公路聯網運營有限公司). Dingyuan Urban and Rural Bus Co. Ltd. (定遠縣城鄉公交有限公司) had a balance of fixed-asset loans of RMB75,250,000; Zongyang Public Transportation Co. Ltd. (縱陽縣公共交通有限公司) had a balance of fixed-asset loans of RMB110,760,000 and Mingguang Urban and Rural Bus Co., Ltd. (明光市城鄉公交有限公司) had a balance of fixed-asset loans of RMB10,840,000. Wanjiang Financial Leasing Co., Ltd. had a balance of inter-bank borrowings of RMB173,000,000.

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), Anhui Development Investment Co., Ltd. (安徽省開發投資有限公司) and Anhui Credit Guaranty Group Co., Ltd. As at the end of 2020, 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 RMB295,000,000; Anhui Development Investment Co., Ltd. (安徽省開發投資有限公司) had a balance of working capital loans of RMB1,960,000,000; Anhui Credit Guaranty Group Co., Ltd. repaid overdue loans of RMB56,890,000 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 2020, the Bank collected from

Sunshine Life Insurance Corporation Limited an insurance brokerage fee of RMB972,400. The Bank paid a premium of RMB39,558,300 for the staff insurance project of the Anhui Branch of Sunshine Life Insurance Corporation Limited. Chengtay Financial Leasing (Shanghai) Co., Ltd. (誠泰融資租賃(上海)有限公司) had a balance of domestic factoring with recourse of RMB414,630,000.

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 2020, China Vanke Co., Ltd. had a balance of non-resource factoring of RMB26,889,300 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 2020, Chery Huiyin Motor Finance Service Co., Ltd. had a balance of inter-bank borrowings of RMB1,000,000,000. The Bank invested in the asset-backed securities issued by Chery Huiyin Motor Finance Service Co., Ltd. as a promotor, with a balance of RMB781,199,200, collecting a brokerage fee of RMB754,000 for underwriting financial bonds.
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 2020, Huishang Bank Financial Leasing Co., Ltd. had a balance of inter-bank borrowings of RMB4,600,000,000, a balance of domestic letter of credit of RMB1,915,000,000 and a balance of bank acceptance bills of RMB95,000,000. The Bank collected a brokerage fee of RMB672,000 for underwriting financial bonds.
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 Financial Holdings (Group) Co., Ltd., Anhui Xingtai Financial Leasing Co., Ltd., Hefei Xingtai Microfinance Limited, Hefei Xingtai Financing Guarantee Group Co., Ltd., CCB Trust Co., Ltd., Harfor Fund Management Co., Ltd., CCB Principal Asset Management Co., Ltd., CCB Pension Management Co. Ltd., CCB Life Insurance Co., Ltd. (建信人壽保險股份有限公司), Hefei State-Owned Construction Financing Guarantee 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., Anhui Amber Property Services Co., Ltd. (安徽琥珀物業服務有限公司), Anhui Assets and Equity Exchange Co., Ltd. (安徽省產權交易中心有限責任公司), Anhui Government Procurement Management Consultancy Co., Ltd. (安徽省政採項目管理諮詢有限公司), Anhui Cultural Property Rights Exchange Co., Ltd. (安徽省文化產權交易所有限公司), Hefei Security Group Co., Ltd. and its holding companies. 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 2020, Hefei Xingtai Financial Holdings (Group) Co., Ltd. had a balance of working capital loans of RMB300,000,000; Anhui Xingtai Financial Leasing Co., Ltd. had a balance of working capital loans of RMB340,000,000 and Hefei Xingtai Microfinance Limited had a balance of working capital loans of RMB54,000,000. The Bank paid guarantee fees of RMB126,600 to Hefei Xingtai Financing Guarantee Group Co., Ltd. The Bank received custodian fees of RMB6,257,200 for the trust plans of CCB Trust Co., Ltd., paid a management fee of RMB2,014,500 for the asset management plans, an interest of RMB6,295,400 on inter-bank certificates of deposits, housing rental fee of RMB4,244,600 and spot bonds trading of RMB300,000,000. The Bank received a brokerage fee of RMB11,100 for underwriting funds, custodian fees of RMB88,000 for fund products and an interest of RMB4,550,600 for bonds reverse repo transactions from Harfor Fund Management Co., Ltd. and paid an interest of RMB323,000 on inter-bank certificates of deposits and a management fee of RMB438,600 for the securities investment fund. The Bank received an interest of RMB3,091,700 for bonds reverse repo transactions from CCB Principal Asset Management Co., Ltd. and paid an interest of RMB68,266,200 on inter-bank certificates of deposits. The Bank received an interest of RMB78,400 for bonds reverse repo transactions from CCB Pension Management Co. Ltd. The Bank conducted spot bonds trading of RMB30,000,000 with CCB Life Insurance Co., Ltd. (建信人壽保險股份有限公司). Hefei State-Owned Construction Financing Guarantee Co., Ltd. had a balance of separate guarantees of RMB929,885,300. 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 RMB374,979,800. Hefei Urban Construction Development Co., Ltd. had a balance of real estate project loans of RMB366,000,000. The Bank paid property service fees of RMB294,000 to Anhui Amber Property Services Co., Ltd. (安徽琥珀物業服務有限公司), equity trading fees of RMB9,200 to Anhui Assets and Equity Exchange Co., Ltd. (安徽省產權交易中心有限責任公司), bid service fees and bid security of RMB27,000 to Anhui Government Procurement Management Consultancy Co., Ltd. (安徽省政採項目管理諮詢有限公司), bid service fees and bid security of RMB3,000 to Anhui Cultural Property Rights Exchange Co., Ltd. (安徽省文化產權交易所有限公司) and security service fees of RMB31,543,100 to Hefei Security Group Co., Ltd. and its holding companies.

- 10. Zhongjing Sihai Co., Ltd.** Zhongjing Sihai Co., Ltd. is a related party of the Shareholders of the Bank. The member of the related parties who have outstanding related party transactions with the Bank includes Shanshan Group Co., Ltd. The Bank considered the abovementioned 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 2020, the Bank invested a total balance of RMB1,000,000,000 in the corporate bonds of Shanshan Group Co., Ltd.
- 11. 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., Anhui Jiangbei Development Co., Ltd. (安徽省江北開發有限責任公司), Chery New Energy Automobile Co., Ltd. (奇瑞新能源汽車股份有限公司), Chery Automobile Co., Ltd., Wuhu Hua Yan Water Co., Ltd. (蕪湖華衍水務有限公司), Wuhu Power Tech Co., Ltd., 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 Yongda Tech Co., Ltd., Wuhu Honhu Materials Technology Co., Ltd., Anhui Chery Automobile Sales Co., Ltd. (安徽奇瑞汽車銷售有限公司), Chery New Energy Automobile Sales Co., Ltd. (奇瑞新能源汽車銷售有限公司), 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), Anhui Chery Commercial Vehicle Sales Co., Ltd. (安徽奇瑞商用車銷售有限公司), Zhongtie Times Architectural Design Co., Ltd. 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 2020, Wuhu Construction Investment Co., Ltd. had a balance of M&A loans of RMB449,000,000, and the Bank invested in the bonds of RMB310,000,000 issued by Wuhu Construction Investment Co., Ltd. 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 RMB240,000,000, the de facto borrower of which is Wuhu Construction Investment Co., Ltd., paid bid security of RMB300,000 to Anhui Jiangbei Development Co., Ltd. (安徽省江北開發有限責任公司) for bank services on declaring special bonds in Jiangbei centralized area. Chery New Energy Automobile Co., Ltd. (奇瑞新能源汽車股份有限公司) had a balance of letter of credit forfaiting of RMB60,000,000. Chery Automobile Co., Ltd. had a balance of domestic letter of credit forfaiting of RMB370,000,000 and had bank acceptance bills of RMB500,000,000. The Bank paid water fees of RMB60,900 to Wuhu Hua Yan Water Co., Ltd. (蕪湖華衍水務有限公司). Wuhu Power Tech Co., Ltd. had bank acceptance bills of RMB24,719,300. 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 RMB6,000,000.

Wuhu Yongda Tech Co., Ltd. had bank acceptance bills of RMB44,949,500. Wuhu Honhu Materials Technology Co., Ltd. had bank acceptance bills of RMB19,400,500. 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 RMB720,000,000 and bank acceptance bills of RMB780,000,000. 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 RMB240,200,000 and bank acceptance bills of RMB100,000,000. 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 RMB60,000,000 and 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 bank acceptance bills of RMB28,610,000. Daao (Wuhu) Automobile Products Co., Ltd. (達奧(蕪湖)汽車製品有限公司) had bank acceptance bills of RMB18,690,000. 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 RMB50,000,000 and bank acceptance bills of RMB120,000,000. Zhongtie Times Architectural Design Co., Ltd. had a balance of domestic guarantees of RMB110,400. Wuhu Ironman Equipment Engineering Co., Ltd. had bank acceptance bills of RMB2,162,500.

- 12. 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 Publishing Group Co., Ltd., Anhui Huawen International Economic and Trade Co., Ltd. (安徽華文國際經貿股份有限公司), Anhui Times Innovation Technology Investment and Development Co., Ltd., Huaan Securities Co., Ltd., Anhui Star Newspaper Media Co., Ltd. (安徽星報傳媒有限責任公司) and Anhui China Travel Services Co., Ltd. (安徽省中國旅行社有限責任公司). 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 2020, Anhui Publishing Group Co., Ltd. had a balance of working capital loans of RMB300,000,000 in the Bank. Anhui Huawen International Economic and Trade Co., Ltd. (安徽華文國際經貿股份有限公司) had bank acceptance bills of RMB469,196,100, a balance of import letter of credit of RMB214,115,100, a balance of import bill advance under letter of credit of RMB119,056,900 and a balance of bank acceptance bill discount of RMB94,542,100. Anhui Times Innovation Technology Investment and Development Co., Ltd. had a balance of import letter of credit of RMB95,219,900 and a balance of domestic letter of credit of RMB20,884,500. The Bank received custodian fees of RMB10,184,300 for asset management plans, an interest of RMB361,700 on reverse repo transactions and an income of RMB1,449,500 for agency service for sales of intermediary businesses from Huaan Securities Co., Ltd., paid a management fee of RMB6,965,500 for the asset management plans, conducted spot bonds trading of RMB230,000,000 with Huaan Securities Co., Ltd. and invested in bonds of RMB200,000,000 underwritten by Huaan Securities Co., Ltd. The

Bank paid advertising fees and newspaper fees of RMB112,800 to Anhui Star Newspaper Media Co., Ltd. (安徽星報傳媒有限責任公司). The Bank paid service fees of RMB19,100 to Anhui China Travel Services Co., Ltd. (安徽省中國旅行社有限責任公司).

**13. Huishang Bank Wealth Management Co., Ltd.** Huishang Bank Wealth Management Co., Ltd. is a wholly-owned subsidiary of the Bank. The Bank 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 2020, the Bank paid an equity investment of RMB2,000,000,000 for equities, social insurance and housing funds of RMB85,700 for employees and a management fee of RMB67,136,300 on entrusted management of products.

**(II) Related party transactions with related natural persons.** As at the end of 2020, the balance of the related party transactions entered into with related natural persons of the Bank was RMB559,181,800, 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 2020, the unaudited net capital of the Bank amounted to RMB96,502 million. The balance with Huishang Bank Financial Leasing Co., Ltd., the largest single related party, amounted to RMB6,610 million, accounting for 6.85% of the net capital. The balance with Huishang Bank Financial Leasing Co., Ltd., the largest single group related party, amounted to RMB6,610 million, accounting for 6.85% of the net capital. The balance of all the related party transactions amounted to RMB28,177 million, accounting for 29.2% 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 2020, related party transactions with related legal persons decreased by RMB698,778,200 as compared with the end of 2019. Specifically, related party transactions with Huishang Bank Wealth Management Co., Ltd. increased by RMB2,067,222,000. Related party transactions with Huishang Bank Financial Leasing Co., Ltd. increased by RMB2,007,172,000. Related party transactions with Hefei Xingtai Financial Holdings (Group) Co., Ltd. and its related parties increased by RMB1,005,441,200. Related party transactions with Anhui Publishing Group Co., Ltd. and its related parties increased by RMB648,125,500. Related party transactions with Anhui Energy Group Co., Ltd. and its related parties increased by RMB149,795,800. Related party transactions with Chery Huiyin Motor Finance Service Co., Ltd. increased by RMB124,873,100. Related party transactions with Anhui Guoyuan Financial Holding Group Co., Ltd. and its related parties increased by RMB112,278,500. Related party transactions with China Vanke Co., Ltd. decreased by RMB3,101,556,100. Related party transactions with Anhui Transportation Holding and its related parties decreased by RMB1,890,621,700. Related party transactions with Wuhu Construction Investment Co., Ltd. and its related parties decreased by RMB1,676,365,400. Related party transactions with Anhui Credit Guaranty Group Co., Ltd. and its related parties decreased by RMB95,560,000. Related party transactions with Sunshine Insurance Group Corporation Limited and its related parties decreased by RMB49,263,100. Related party transactions with Jinzhai Huiyin Village and Township Bank Co., Ltd. decreased by RMB320,000.
- (II) **Changes of related party transactions with related natural persons.** As at the end of 2020, 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 2019, 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 RMB35,106,200.

### III. MANAGEMENT OF THE RELATED PARTY TRANSACTIONS

The Bank carried out related party transactions in accordance with the provisions of regulatory authorities, the Articles of Association, laws and regulations and strictly implemented management systems and procedures on related party transactions, consistently enhanced routine monitoring, statistics and analysis on related party transactions, carefully performed approval and disclosure obligations on related party transactions and closely prevented risks on related party transactions. **Firstly**, the Bank strengthened the duty performance of the Board of Directors and the Related Party Transaction Control Committee. The Board of Directors and the Related Party Transaction Control Committee of the Bank diligently performed duties and objectively and fairly considered matters on related party transactions based on their duties and authorities as well as the rules of procedure and attached great importance to the substance and fairness of related party transactions with the principles of being entered into in the normal course with the terms of transactions being fair and reasonable and in the interests of the Bank and shareholders as a whole. They fully performed their duties of pre-examination and post-supervision of related party transactions to practically prevent and control risks on related party transactions. **Secondly**, the Bank implemented dynamic management of related party transactions and related parties. The Bank strengthened information sharing and coordinated cooperation among front, middle and back offices in the operation of related party transactions, enhanced the imitativeness and perspectiveness in the management of related parties, extensively collected information on related parties and intensified classified management and dynamic updating of related parties to ensure effective identification of and monitoring on related party transactions. **Thirdly**, the Bank reinforced the audit, early warning and monitoring on related party transactions. The Bank strictly controlled the audit of 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 performed the consideration, disclosure and filing procedures on related party transactions. For significant related party transactions with related parties, they shall be submitted to the Related Party Transaction Control Committee under the Board of Directors for review before submitting to the Board of Directors for approval one by one and filed with regulatory authorizes and the Board of Supervisors of the Bank in a timely manner. **Fifthly**, the Bank organized special audit and self-rectification on related party transactions. Based on the current management of related party transactions, the Bank effectively conducted special audit and subsequent rectification and implementation on related party transactions to consistently deepen the compliance knowledge on related party transactions and practically improve the Bank's refine management of related party transactions.

### IV. CREDIT QUALITY OF RELATED PARTY TRANSACTIONS

For related party transactions with related natural persons and legal persons in the Bank, all of the five-level classification was normal at the end of 2020.



**DUTY REPORT BY INDEPENDENT NON-EXECUTIVE DIRECTOR FOR 2020****(DAI PEIKUN)**

As an independent non-executive 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 2020**

During the year for duty performance, I attended all 13 meetings of the Board of Directors of Huishang Bank held in 2020 in person in accordance with the Articles of Association 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 4 meetings in 2020. As a member of the Audit Committee, I attended all 3 meetings of the Audit Committee held throughout the year.

**II. Relevant Resolutions and Voting**

As an independent non-executive Director of the Bank 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 Bank, listened to the report of the management, focused on the support of Huishang Bank for the prevention and control of the epidemic and the resumption of work and production by enterprises, 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.

### III. Shortcomings and the Direction of Future Efforts

But on the other hand, from the research point of view, I do not have an essential understanding of the constant contradictions that always exist in Huishang Bank that hinder the Bank's development, and the impact of the positive energy played is not enough and needs to be further improved.

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 Bank to facilitate its high quality and sustainable development. I will persistently devote myself to safeguarding the interests of the Bank as a whole and the legitimate rights and interests of all Shareholders, the minority Shareholders in particular.

### DUTY REPORT BY INDEPENDENT NON-EXECUTIVE DIRECTOR FOR 2020 (ZHOU YANA)

I currently act as an independent non-executive 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 Corporation Limited. In strict compliance with relevant requirements of the CBRC, the CBRC Anhui Office and Huishang Bank, I have been performing the duties of independent non-executive 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 2020 as follows:

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

During the duty performance in 2020 and as an independent non-executive Director, I attended all 13 meetings of the Board of Directors in person.

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 non-executive Director and safeguarding the interest of the Bank 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 3 meetings of the Audit Committee. I fully displayed the role as a member of special committees in matter discussion. Through the contents of specific meetings and routine work of the Audit Committee, I supervised the Bank's internal control, reviewed the Bank's financial information and disclosure, and inspected, supervised and evaluated the Bank's internal audit work, and reported the Audit Committee's opinions to the Board of Directors in a timely manner for the Board's decision-making reference, so as to facilitate further improvement of internal control as well as operation and management of the Bank.

As a member of the Nomination and Remuneration Committee, I attended all 4 meetings of the Nomination and Remuneration Committee throughout the year. During the period, I fully performed my duties as a member, made recommendations on the appraisal and remuneration packages for directors and members of senior management, and supervised the implementation of the packages.

In 2021, 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 the Bank to safeguard its long-term and sound development. I will also work with other Directors in promoting the scientific decision-making 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 NON-EXECUTIVE DIRECTOR FOR 2020**

(LIU ZHIQIANG)

I act as an independent non-executive 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 2020, in strict compliance with the Company Law of the People's Republic of China, the Guidelines on Corporate Governance of 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 non-executive 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 2020 as follows:

#### **I. Attendance at Meetings**

During the year, I attended 12 meetings of the Board of Directors, attended 7 meetings of the Related Party Transaction Control Committee, and attended 5 meetings of the Risk Management Committee. I actively participated in studies, discussions and decision making on resolutions of the Board of Directors, and actively performed the duties of independent non-executive 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 non-executive 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,

focused on the integrated business plans, financial budget solutions and profit allocation of Huishang Bank, and expressed my opinions. Meanwhile, I proposed my suggestions to the development of Huishang Bank. In 2020, I proposed advices on major issues such as responding the impact of the COVID-19 epidemic, improving asset quality, enhancing management of internal related transactions, replenishing core Tier 1 capital, and improving corporate governance.

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, and fulfilled the review obligations on the significant related party transactions.

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 Bank 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 non-executive Director in corporate governance.

### **DUTY REPORT BY INDEPENDENT NON-EXECUTIVE DIRECTOR FOR 2020 (YIN JIANFENG)**

I act as an independent non-executive 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 2020, in strict compliance with the Company Law of the People's Republic of China, the Guidelines on Corporate Governance of 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 non-executive 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 2020 as follows:

**I. Attendance at Meetings**

During the year, I was required to attend 13 meetings of the Board of Directors, of which I attended 13 meetings in person. I was required to attend 7 meetings of the Strategic Development and Consumer Rights Protection Committee, of which I attended 7 meetings in person. I was required to attend 4 meetings of the Nomination and Remuneration Committee, of which I attended 4 meetings in person. I was required to attend 7 meetings of the Related Party Transaction Control Committee, of which I attended 7 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 non-executive 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 budget solutions 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 and participated in the initiation of the establishment of a commercial bank, the acquisition of certain assets and liabilities of Baoshang Bank, the extension of the validity of the A-share listing program, 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 the assessment and stable remuneration of senior management, voted on such resolutions and expressed independent opinions.

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, and fulfilled the review obligations on the significant related party transactions.

**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 Bank 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 non-executive Director in corporate governance.

**DUTY REPORT BY INDEPENDENT NON-EXECUTIVE DIRECTOR FOR 2020  
(HUANG AIMING)**

As an independent non-executive Director of Huishang Bank and in strict compliance with the Company Law of the People's Republic of China, the Guidelines on 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 non-executive directors and all special committees in 2020, 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 2020 as follows:

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

In 2020, the Bank held 13 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 2020 is as follows:

As the chairman of the Related Party Transaction Control Committee of the Bank, I chaired 7 meetings of the Related Party Transaction Control Committee in 2020 in accordance with the Administrative Measures for the Control of Related Party Transactions and other relevant systems. I focused on reviewing whether the major shareholder exerted influence on the transaction, whether the terms of the transaction were better than similar transactions by non-related parties, whether the transaction was detrimental to the interests of other shareholders, and issued an audit opinion, 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 Bank's Board of Directors, I attended all 4 meetings throughout the year and 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.

As a member of the Audit Committee of the Bank's Board of Directors, I attended all 3 meetings throughout the year and gave opinions and suggestions on the implementation of the Bank's internal audit system and supervised the authenticity, accuracy, completeness and timeliness of the Bank's financial reporting information in accordance with the Work Rules of the Audit Committee and other relevant systems.

**III. Work on Safeguarding the Legitimate Rights and Interests of Public Shareholders**

- 1. Supervision on corporate governance structure, operation and management of the Bank.** I conducted researches and learnt about relevant systems on corporate governance and the implementation, the 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 Bank and expressed professional opinions in the decision-making by the Board of Directors based on my own professional knowledge.
- 2. Continuous attention to the information disclosure efforts of the Bank.** I kept paying attention to information disclosure by the Bank, carried out effective supervision and verification on the timely and accurate disclosure of required information to facilitate the Bank to perform information disclosure obligations in a truthful, timely, complete and accurate manner in strict compliance with relevant systems. The Bank also enhanced voluntary disclosure, which ensured equal and open activities on investor relations management, guaranteed fairness in information disclosure of the Bank 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 non-executive directors should continue to carefully perform their obligations on integrity and diligence towards Huishang Bank and all Shareholders.
3. In accordance with relevant laws and regulations and the Articles of Association of the Bank, earnestly perform the duties and safeguard the interests of the Bank as a whole and particularly ensure that the legitimate rights and interests of minority Shareholders are not jeopardized.
4. Perform the duties independently and should not be affected by substantial Shareholders or other entities or individuals with interest in the listed company.
5. Devote sufficient time and vigor in effectively performing the duties of independent non-executive Directors.

The Board of Supervisors conducted comprehensive appraisal on the duty performance of the Board of Directors and the Directors for the year 2020 in accordance with the regulatory provisions of the Guidelines for Corporate Governance of Commercial Banks, the Measures for Performance Appraisal of Directors of Commercial Banks (Trial) and the requirements of the Articles of Association of the Bank.

The Board of Supervisors believed that in 2020, faced with complex and challenging economic and financial situation and the severe impact of the pandemic and flood, the Board of Directors carefully implemented national economic and financial policies and regulatory requirements, fully leveraged on the collective intelligence, carried out diligent duty performance, standard operation and scientific decision-making and comprehensively implemented resolutions at the general meetings. The Board of Directors initiatively adapted to the new situation on technological and financial development, formulated strategies on digital transformation in a timely manner and seized historical opportunities to establish the development pattern of a financial group with cross-regional and diversified development. It advanced non-public issuance to boost the capital sufficiency, coordinated the prevention and control of the pandemic and serving real economies to show the responsibility of a mainstream local bank. While improving and consolidating the quality of assets and promoting overall risk prevention and control, the Board of Directors arranged hierarchical evaluation on comprehensive internal control, improved the systems on the protection of consumers' interests and data governance and enhanced equity management and the appraisal on duty performance by substantial shareholders, which vigorously promoted the achievement of new results in the continuous improvement of corporate governance and high-quality development of the Bank.

All Directors initiatively abided by relevant laws and regulations and the Articles of Association of the Bank, diligently and faithfully performed duties and actively safeguarded the legitimate interests of the Bank, shareholders, employees and other stakeholders. Members of the Board of Directors tided over the impacts of the pandemic, proactively attended meetings of the Board of Directors and its specific committees, earnestly studied and considered the operation plans, financial reports, risk management, asset purchases, external investments, the Non-public Issuance of Shares and other topics and resolutions, paid continuous attention to the implementation of strategies and the operation and management of the Bank, independently and objectively expressed opinions, contributed to the strategic decision-making, reform and development of the Bank and well performed various duties granted by the Articles of Association. Executive Directors carefully performed dual responsibilities on decision-making and implementation, studied and solved new conditions and problems in operation and management in a timely manner and solidly conducted operation and management with senior management, successfully completing annual operation plans and working tasks. Directors with equities earnestly studies and discussed relevant resolutions and special reports, conducted communications with shareholders and provided constructive opinions on corporate governance, cross-regional development, equity participation and investment, introduction of major shareholders and other significant matters concerning the overall development of the Bank. Independent non-executive Directors emphasized the



protection of the rights and interests of depositors and minority Shareholders, focused on digital transformation strategies, related party transactions, risk management and other significant matters, actively attended special seminars, independently, professionally and objectively expressed opinions and suggestions, playing an important role in the scientific decision-making and standard operation of the Board of Directors. All Directors devoted sufficient time and vigor in duty performance and the working time in the Bank met regulatory requirements and the provisions of the Articles of Association of the Bank.

The appraisal results of all members of the Board of Directors in 2020 are all competent after the comprehensive appraisal and consideration of the Board of Supervisors.

The Board of Supervisors comprehensively appraised the duty performance of the Supervisors for the year 2020 in accordance with the regulatory provisions of the Guidelines for the Corporate Governance of Commercial, the Work Guidelines for the Board of Supervisors of Commercial Banks and the requirements of the Articles of Association of the Bank.

The Board of Supervisors believed that in 2020, Supervisors of the Bank strictly abided by laws and regulations, regulatory provisions and the Articles of Association, maintained high-standard code of ethics, independently performed duties in compliance with laws and regulations, attached great importance to matters may harm the Bank's interests, actively safeguarded the legitimate interests of shareholders and stakeholders and promoted and supervised the operation of the Bank in compliance with laws and regulations. Supervisors can tide over the impacts of the pandemic, devoted sufficient time and vigor to duty performance, attended various important meetings in accordance with laws, vigorously participated in various supervisions, inspections and trainings carried out by the Board of Supervisors, learnt about the operation, management and risks of the Bank in a timely manner and carefully studied and made prudent judgments on regular reports, measures on the implementation of guiding opinions on high-quality development and reports on periodical conditions, data governance measures and other matters submitted to the Board of Supervisors for consideration. They can continuously enhance their professional skills and propose reasonable advices and suggestions based on the positioning of duties and their own professional knowledge, experiences and working experience to promote the Board of Supervisors conducting effective supervision. They can faithfully report 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.

In 2020, employee representative Supervisors of the Bank actively proposed advices and suggestions on the formulation of rules and systems concerning immediate interests of employees and proactively participated in the supervisions and inspections on the implementation of systems. Shareholder representative Supervisors carefully studies and discussed financial reports, resolutions on profit distribution and other special reports, actively communicated with shareholders, fully expressed shareholders' desires and provided constructive opinions. External Supervisors initiatively attended relevant meetings in strict compliance with regulatory requirements, carefully considered resolutions on financial reports, appraisal on performance of duties, supervisions and inspections and audit of the economic liabilities. They expressed independent and objective opinions and advices on relevant matters, initiatively safeguarded the overall benefits of the Bank and the legitimate interests of minority Shareholders and carried out effective supervision on performance of duties by the Board of Directors and senior management of the Bank as well as the implementation of financial

activities, risk management, internal control and other work. The chairmen of special committees under the Board of Supervisors gave full display to their professional skills and experiences, carefully organized various activities of special committees, considered relevant resolutions and proposed professional opinions and suggestions. External Supervisors were not involved in circumstances where affected the independence as prescribed by the Company Law and other domestic and overseas regulatory regulations.

The appraisal results of all Supervisors in 2020 are all competent after the comprehensive appraisal and consideration of the Board of Supervisors.

The Board of Supervisors launched the appraisal work on the duty performance of the senior management and its members for the year 2020 in accordance with the Guidelines for Corporate Governance of Commercial Banks, the Work Guidelines for the Board of Supervisors of Commercial Banks and the requirements of the Articles of Association of the Bank.

The Board of Supervisors believed that in 2020, faced with complex and challenging external situation and the severe challenges of the pandemic and flood, senior management proactively carried out national economic and financial policies, carefully implemented regulatory requirements and the resolutions of the Board of Directors and adhered to the concepts of prudent and steady operation in accordance with laws and regulations. They coordinated the prevention and control of the pandemic and various work on operation and management, practically performed duties on risk management and internal control and successfully completed annual operation plans and working tasks set by the Board of Directors with major operation indicators improved while maintaining stable. New deposits and loans both exceeded RMB100 billion, hitting a new high in history. It has successfully fulfilled the load granting target of guidance policy finance in areas such as “two increases and two controls”, private enterprises and manufacturing, consistently improved the asset quality and enhanced risk prevention and control. The Bank has been granted the “outstanding” rating for financial institutions in the banking industry in serving local economic development for four consecutive years and was awarded a Class-A financial institute in the annual regulatory appraisal by the People’s Bank of China with its comprehensive strength and brand influence consistently consolidated.

In 2020, members of senior management observed relevant laws and regulations, regulatory requirements and the provisions of the Articles of Association of the Bank, initiatively accepted the supervision of regulatory authorities and the Board of Supervisors, honestly and diligently performed their duties based on the scope of authorization and responsibilities, took initiatives, overcame difficulties and led their lines of business and departments in effectively responding to market changes. They focused on solving contradictions and problems in operation and management and fully performed responsibilities on operation management, financial management, risk management, internal control, data governance, case prevention, anti-money laundering and the protection of consumers’ interests. They sped up in business transformation and innovation, focused on improving asset quality, consistently enhanced fundamental management and internal control and completed work tasks under the scope of their responsibilities, making significant contributions to guaranteeing the sustainable and sound development of the whole Bank.

The appraisal results of all members of senior management under the annual appraisal in 2020 are all competent after the comprehensive appraisal and consideration of the Board of Supervisors.

NOTIFICATION OF THE IMPLEMENTATION OF RESOLUTIONS OF  
SHAREHOLDERS' GENERAL MEETINGS  
(BOARD OF DIRECTORS)

In 2020, the Bank held 2 general meetings (the 2020 first extraordinary general meeting of the Bank and the 2019 annual general meeting of the Bank) and considered 16 resolutions and reports. The Board of Directors was responsible for the implementation of a total of 12 resolutions.

**I. The 2020 First Extraordinary General Meeting of Huishang Bank Corporation Limited**

The meeting was held on February 22, 2020 and a total of 3 resolutions were considered and approved by voting. The implementation of the resolutions is as follows:

**1. To consider and approve the resolution on the participation in the initial establishment of a commercial bank**

**Implementation:** implemented. On March 18, 2020, the Bank entered into the Promoters' Agreement on the establishment of Mengshang Bank and performed the information disclosure obligations in due course. Mengshang Bank was officially incorporated on April 30, 2020.

**2. To consider and approve the resolution on the acquisition of part of assets and liabilities of other banking financial institution**

**Implementation:** implemented. The Beijing Branch, Shenzhen Branch, Chengdu Branch and Ningbo Branch of the Bank opened on May 25, 2020 officially. On November 23, 2020, the Bank entered into the Acquisition and Takeover Agreement with Baoshang Bank, the Takeover Committee of Baoshang Bank and DIFM and performed the information disclosure obligations in due course.

**3. To consider and approve the resolution on the issuance of tier-2 capital bonds**

**Implementation:** implemented. The Bank has completed the bookkeeping and issuance of RMB8.0 billion of tier-2 capital bonds on September 24, 2020 in the China's inter-bank bond market.

**II. The 2019 Annual General Meeting of Huishang Bank Corporation Limited**

The meeting was held on June 30, 2020 and a total of 13 resolutions were considered and approved by voting. The Board of Directors was responsible for the implementation of a total of 9 resolutions. The implementation by the Board of Directors is as follows:

**1. To consider and approve the final financial accounts for 2019 of the Bank**

**Implementation:** implemented. The Bank maintained sound financial and operating conditions on the whole in 2019 with the profitability steadily improved. Its total profit, net profit, earnings per share and other indicators improved with the capital adequacy ratio within the reasonable range. The Bank achieved a net profit of RMB10,062 million, amounting to 104.65% of the net profit in the budget. Its net interest income reached RMB24,726 million, amounting to 128.38% of the net interest income in the budget; the net fee and commission income was RMB4,164 million, amounting to 98.25% of the net fee and commission income in the budget; the operation and management fees reached RMB6,738 million, amounting to 100.63% of the operation and management fees in the budget; and the impairment allowance for assets was RMB11,920 million, amounting to 128.06% of the impairment allowance for assets in the budget. The Bank recorded customer deposits of RMB593,834 million, amounting to 95.59% of the customer deposits in the budget; customer loans (excluding finance leases) of RMB463,985 million, amounting 107.41% of the amount in the budget; and various investments of RMB478,497 million, amounting 89.38% of the amount in the budget. Its non-performing loan ratio was 1.04%, achieving the target of controlling it within 1.5%.

**2. To consider and approve the financial budget for 2020 of the Bank**

**Implementation:** implemented. In 2020, the Bank carried out work within the limit of the budget. The Bank's limit of the total budgets amounted to RMB1,524 million and it actually implemented RMB960.4 million with a budget implementation rate of 63.02%. The budget on operating premises was RMB649 million with a budget implementation rate of 59.17%; the budget on technology investments (including marketing items) was RMB587 million with a budget implementation rate of 73.42%; the budget on office furniture, equipment and cashier facilities was RMB79 million with a budget implementation rate of 48.1%; the budget on equipment for security and defense was RMB66 million with a budget implementation rate of 25.76%; the budget on transportation facilities was RMB2 million with a budget implementation rate of 20%; and the budget on outlets improvement and renovation was RMB141 million with a budget implementation rate of 63.83%.

**3. To consider and approve the profit distribution plan for 2019 of the Bank**

**Implementation:** implemented. Based on the resolution passed at the 2019 annual general meeting, the Bank distributed cash dividends for 2019 to all shareholders whose names appeared on the register of members of the Bank on July 12, 2020. A total cash dividend of RMB1,908.304 million (including tax) was distributed at RMB0.157 (including tax)/HK\$0.1719553 (including tax) per share.

**4. To consider and approve the appointment of external auditors of the Bank for 2020**

**Implementation:** implemented. Based on the resolution passed at the general meeting, it approved the reappointment of Ernst & Young Hua Ming LLP (Special General Partnership) as the domestic auditor and Ernst & Young as the international auditor of the Bank for the year of 2020, respectively.

**5. To consider and approve the Work Report of the Board of Directors of the Bank for 2019**

**Implementation:** implemented. Based on the requirements on the report, the Board of Directors followed the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, performed its duties faithfully and diligently, consistently advanced the improvement of corporate governance, enhanced strategic leadership and improved risk management and control in 2020. It further intensified its efforts in serving the real economy, and through digital transformation, further promoted 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 strived to become a modern bank with high-quality development, and made its contributions to the building of a moderately prosperous society in all respects.

**6. To determine the remuneration standard for executive Directors of the Bank for 2018**

**Implementation:** implemented. It has been settled based on the standards set out in the resolution.

**7. To consider and approve the resolution on the general mandate for the issuance of Shares of the Bank**

**Implementation:** implemented. As considered and approved at the general meeting, it approved to authorize the Board of Directors the general mandate for the issuance of Shares and the delegation of authorizations by the Board of Directors. Within the scope and validity period of the authorization and as considered and approved by the Board of Directors, the Bank issued 1,559 million and 176 million Domestic Shares to DIFM and Anhui Transportation Holding through a non-public issuance and raised net proceeds of approximately RMB9,894 million, all of which has been used in supplementing core tier-1 capital of the Bank.

**8-9. 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 and to consider and approve the resolution on the extension of the validity period of the authorization of the Board of Directors to deal with specific matters in respect of the A Share Offering**

**Implementation:** implemented. The Bank will continue to advance the preparation for the application of the A Share Offering after the Non-public Issuance of Domestic Shares to comply with relevant requirements of the CSRC on vetting of A Shares.



NOTIFICATION OF THE IMPLEMENTATION OF RESOLUTIONS OF  
SHAREHOLDERS' GENERAL MEETINGS  
(BOARD OF SUPERVISORS)

16 resolutions and reports were considered and approved at the 2019 annual general meeting of the Bank. The Board of Supervisors was responsible for the implementation of a total of 4 resolutions, the implementation of which is as follows:

**1. To consider and approve the work report of the Board of Supervisors of the Bank for 2019**

**Implementation:** implemented. In 2020, the Board of Supervisors closely focused on the overall situation of high-quality development of the whole bank, faithfully performed its duties and diligence, insisted on the combination of regular epidemic prevention and control and active performance of statutory duties, strictly implemented the regulatory requirements, did a solid job of performance, financial, internal control and risk management supervision, continuously promoted the improvement of corporate governance, promoted compliant operation in accordance with the law, and effectively played the functional role of the Board of Supervisors.

**2. To determine the remuneration standard for the former chairman of the Board of Supervisors of the Bank for 2018**

**Implementation:** implemented. It has been settled based on the standards set out in the resolution.

**3-4. 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 and 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**

**Implementation:** implemented. Mr. Zhai Shengbao and Mr. Zhou Zejiang have officially performed their duties from the date of consideration and approval at the general meeting and have attended the meetings of the Board of Supervisors and its special committees since July 2020 and participated in other regulatory activities organized by the Board of Supervisors. The two supervisors gave full play to their professional expertise, performed the duties of Supervisors in accordance with laws and regulations and provided independent and objective comments and suggestions to the operation, development and risk management of the Bank.

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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 2020 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 annual general meeting (the “AGM”) of Huishang Bank Corporation Limited\* (the “Bank”) will be held at 9:00 a.m. on Wednesday, June 30, 2021 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 2020 of the Bank;
- (2) To consider and approve the capital expense budget for 2021 of the Bank;
- (3) To consider and approve the profit distribution plan for 2020 of the Bank;
- (4) To consider and approve the appointment of external auditors of the Bank for 2021;
- (5) To consider and approve the Work Report of the Board of Directors of the Bank for 2020;
- (6) To consider and approve the Work Report of the Board of Supervisors of the Bank for 2020;
- (7) To consider and approve the election of Mr. Ma Lingxiao as a non-executive director of the fourth session of the Board of the Bank;
- (8) To consider and approve the resolution on the general mandate for the issuance of shares of the Bank;
- (9) 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 (the “A Share Offering”) of the Bank;

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## NOTICE OF THE ANNUAL GENERAL MEETING

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- (10) 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;
- (11) To consider and approve the resolution on the change of business scope and the amendment to the articles of association of the Bank;

**For the above resolutions, the resolutions numbered from (1) to (7) are ordinary resolutions and the resolutions numbered from (8) to (11) are special resolutions.**

### Other Matters

- (12) To receive the Report on Related Party Transactions for 2020 of the Bank;
- (13) To receive the Duty Report by the Independent Non-executive Directors for 2020 of the Bank;
- (14) To receive the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Board of Directors and Directors for 2020;
- (15) To receive the Appraisal Report by the Board of Supervisors on the Performance of Duties by the Supervisors for 2020;
- (16) To receive the Appraisal Report by the Board of Supervisors on the Performance of Duties by the senior management and its members for 2020; and
- (17) To receive the Notification of the Implementation of Resolutions of Shareholders' General Meetings.

By order of the Board  
**Huishang Bank Corporation Limited\***  
**Yan Chen**  
*(Temporarily performing the duties of the Chairman)*  
*Executive Director*

Hefei, Anhui Province, the PRC  
May 15, 2021

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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 Monday, May 31, 2021 to Wednesday, June 30, 2021 (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, Wan Chai, Hong Kong, by 4:30 p.m. on Friday, May 28, 2021.

Shareholders of the Bank whose names appear on the register of members of the Bank at the close of business on Friday, May 28, 2021 are entitled to attend and vote at the AGM.

3. **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 Thursday, June 10, 2021. 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.

4. **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 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 Tuesday, June 29, 2021) 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.

5. 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.

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## NOTICE OF THE ANNUAL GENERAL MEETING

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### 6. 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, Wan Chai  
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 7729  
Fax No.: (86) 0551 6266 7787

*As of the date of this notice, the Board of Directors of the Bank comprises of Yan Chen and Zhang Renfu as executive Directors; Zhu Yicun, Wu Tian, Wu Xuemin, 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.*