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JINSHANG BANK CO., LTD.*

晉商銀行股份有限公司*

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

(Stock Code: 2558)

ANNOUNCEMENT

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Bank dated March 26, 2020 in relation to, among others, the Original Nanye Industrial Framework Agreement.

In light of the impending expiration of the Original Nanye Industrial Framework Agreement, on November 8, 2022, the Bank entered into the New Nanye Industrial Framework Agreement with Nanye Industrial to renew such transactions for a term of three years from January 1, 2023 to December 31, 2025, which is renewable subject to agreement between both parties and compliance with the Listing Rules.

As at the date of this announcement, Nanye Industrial is a substantial Shareholder of the Bank. According to Chapter 14A of the Listing Rules, Nanye Industrial and its associates are connected persons of the Bank. As a result, the entering into of the New Nanye Industrial Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Bank under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps of the New Nanye Industrial Framework Agreement exceed 0.1% but all are less than 5% for the three years ending December 31, 2023, 2024 and 2025, the entering into of the New Nanye Industrial Framework Agreement and the proposed annual caps for transactions in each of the three years ending December 31, 2023, 2024 and 2025 are subject to the reporting, annual review and announcement requirements of Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval requirement thereof.

I. NEW NANYE INDUSTRIAL FRAMEWORK AGREEMENT

On March 26, 2020, the Bank and Nanye Industrial entered into the Original Nanye Industrial Framework Agreement, which is valid until December 31, 2022. Pursuant to it, the Group shall provide fee- and commission-based products and services to Nanye Industrial and/or its associates.

In light of the impending expiration of the Original Nanye Industrial Framework Agreement, on November 8, 2022, the Bank entered into the New Nanye Industrial Framework Agreement with Nanye Industrial to renew such transactions for a term of three years from January 1, 2023 to December 31, 2025, which is renewable subject to agreement between both parties and compliance with the Listing Rules. Pursuant to it, the Group shall continue to provide fee- and commission-based products and services to Nanye Industrial and/or its associates, including debt financing, bond underwriting and distribution, syndicated loans, bank acceptance bills, letters of credit, entrusted loans, asset management services, fund business, trust business, trade settlement, etc.

The main terms of the New Nanye Industrial Framework Agreement are set out below:

Date: November 8, 2022

Parties thereto: (i) the Bank; and
(ii) Nanye Industrial

Subject matter: Fee- and commission-based products to be provided by the Group to Nanye Industrial and/or its associates

Term: From January 1, 2023 to December 31, 2025

Pursuant to the New Nanye Industrial Framework Agreement, the terms and conditions (including but not limited to prices) for the provision of fee- and commission-based products and services by the Bank to Nanye Industrial and/or its associates shall be fair and reasonable and determined on normal commercial terms and negotiated on an arm's length basis and the parties shall sign specific fee- and commission-based products and services agreements separately for each actual transaction based on the terms thereunder. The transactions will be conducted in the usual and ordinary course of business of the Group and on normal commercial terms which comply with applicable laws and regulations and industry practices.

Historical transaction amounts

The following table sets forth the fees and commissions received from the provision of fee- and commission-based products and services to Nanye Industrial and/or its associates during the following years/period.

	Actual amounts for the years ended December 31,		Actual amounts for the six months ended June 30,	Approved annual cap for the year ending December 31,
	2020	2021	2022	2022
Fees and commissions received from the provision of fee- and commission-based products and services to Nanye Industrial and/or its associates	8,360.1	6,390.4	74.0	86,000

(in the thousands of RMB)

The actual transaction amount for the six months ended June 30, 2022 between the Bank and Nanye Industrial was much lower than the approved 2022 annual cap, primarily because (a) during the epidemic period, there was a fee reduction policy for the Bank's acceptance bills business, and the Bank adjusted the pricing of the bank acceptance bills, which resulted in a decrease in the profit and volume of the Bank's acceptance bills business; and (b) some direct banking businesses with Nanye Industrial gradually expired which were not renewed in this year.

Proposed annual caps

For the years ending December 31, 2023, 2024 and 2025, the proposed annual caps on the fees and commissions receivable by the Group from Nanye Industrial and/or its associates are as follows:

	Proposed annual transaction caps for the year ending December 31,		
	2023	2024	2025
Total	20,500	20,600	22,700

(in thousands of RMB)

Basis for the proposal annual caps

The Directors determined the proposed annual caps with reference to the following:

- (i) the historical amounts for the provision of fee- and commission-based products and services by the Group to Nanye Industrial and its associates for the years ended December 31, 2020 and 2021 and the six months ended June 30, 2022, and the fluctuations in the volume of these products and services for the years ended December 31, 2020 and 2021 and the six months ended June 30, 2022, in particular the reasons for the decrease in fees and commissions from Nanye Industrial and its associates in 2022;
- (ii) the Group's business forecast based on the regulatory requirements and market environment analysis, including the possibility that the Bank may finance Nanye Industrial's business expansion through syndicated loans, bank acceptance bills and letters of credit, as (a) the Bank will generate large amounts of fees through syndicated loans which are large in amount and long in term, and the arrangement fees of which are often charged in one lump sum; and (b) the Bank may provide bank acceptance bills exposure business (銀行承兌匯票敞口業務) to Nanye Industrial and/or its associates, which allows deposit of partial bill amount instead of full bill amount for the bank acceptance bills in accordance with applicable PRC laws and regulations, which will increase the Bank's fee income; and
- (iii) the possibility of the Group's future launch of new products and services.

Pricing

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

II. GROUNDS AND BENEFITS OF ENTERING INTO THE NEW NANYE INDUSTRIAL FRAMEWORK AGREEMENT

Nanye Industrial has substantial experience in bulk commodity retail and wholesale, and has been transforming to high-tech LED electronics industry in recent years. The cooperation helps the Bank to deepen its cooperation with leading enterprises in the province and enhance its business diversification.

The Directors (including independent non-executive Directors) are of the view that the New Nanye Industrial Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms and negotiated on an arm's length basis, and the terms and the proposed annual caps for each of the three years ending December 31, 2025 under the New Nanye Industrial Framework Agreement are fair and reasonable and in the interests of the Bank and its Shareholders as a whole.

III. INTERNAL CONTROL

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

- (i) The Bank places great importance on the management of connected transactions and takes the initiative to actively update the list of connected persons. In order to comprehensively and accurately identify connected persons, the Bank conducts look-through management of substantial Shareholders to achieve effective collection of data related to connected transactions. To meet the management requirements of the Stock Exchange in relation to connected transactions, the Bank has formulated the “Measures for the Management of Related Party Transactions”, which further clarifies the duties of the connected transaction functional department and strictly implements the approval and information disclosure system of connected transactions so as to ensure that all the connected transactions of the Bank are effectively monitored and supervised, maintain stable business operations, establish a risk monitoring system, and ensure that all relevant connected transactions are in the interests of its Shareholders as a whole. In order to complete the implementation of the “Measures for the Management of Related Party Transactions”, the Bank has engaged an external advisory body to provide advisory services for the establishment of a related party (connected) transaction system. The Bank has established a preliminary related party (connected) transaction system to identify and monitor connected transactions of the Bank.
- (ii) The “Measures for the Management of Related Party Transactions” aims to standardize and set out the management responsibilities and segregation of responsibilities as well as monitoring mechanisms related to the connected transactions of the Bank, and to safeguard the interests of its Shareholders as a whole and the interests of the Bank and its stakeholders. The connected transactions of the Bank must be conducted in accordance with the principles, rules and procedures specified in the said policies and administrative measures.
- (iii) Senior management of the Bank is responsible for ensuring that the employees fully understand the policies and administrative measures of the “Measures for the Management of Related Party Transactions” and will implement the provisions therein to ensure that connected transactions comply with the provisions of relevant policies and administrative measures.
- (iv) As part of the internal control and risk management procedures, each responsible department must perform certain procedures before entering into any agreement, including reviewing specific contracts entered into between the Bank and connected persons, regularly checking the specific terms of continuing connected transactions, and comparing the terms of comparable transactions to ensure that the pricing policies and/or other contractual terms are entered into on normal commercial terms in the ordinary and usual course of business of the Bank and are fair and reasonable and in the interests of the Bank and its Shareholders as a whole.

- (v) Each responsible department must also report and submit detailed information to the Risk Management Department of the Bank on the continuing connected transactions for its review and analysis before entering into any specific contract, and ensure that the connected transactions comply with applicable laws, rules and regulations as well as internal policies and administrative measures.
- (vi) As part of the internal control and risk management procedures and to ensure that the continuing connected transactions do not exceed the relevant annual caps, the responsible departments are responsible for monitoring the transaction amount and submitting the transaction amount data to the Risk Management Department on a regular basis. If it is expected that the transaction amount of any continuing connected transaction that is or will be incurred in the financial year will reach or exceed the relevant annual cap, the responsible department shall contact the Risk Management Department to report to the Bank's management and consider the measures to be taken to ensure that the requirements under the Listing Rules are complied with, including obtaining the approval of independent Shareholders (if required).
- (vii) The Risk Management Department must report the continuing connected transactions to the Board, relevant committees and/or the Bank's management as requested so that they can carry out the review to ensure that the continuing connected transactions are entered into on normal commercial terms in the ordinary and usual course of business of the Bank and are fair and reasonable and in the interests of the Bank and its Shareholders as a whole. The independent non-executive Directors will also conduct annual reviews of continuing connected transactions in accordance with the Listing Rules. The Bank will engage an external auditor to report on continuing connected transactions every year. The external auditor will write to the Board to confirm the matters required by the Listing Rules, including whether the continuing connected transactions are conducted in accordance with the relevant pricing policies.

The Directors have confirmed that the Bank's qualifications and internal control procedures can effectively guarantee the transactions between the Bank and Nanye Industrial and/or its associates in accordance with the New Nanye Industrial Framework Agreement, and the terms are fair and reasonable and have gone through negotiation on an arm's length basis, and have been entered into on normal commercial terms that comply with industry practices, and such procedures and measures are sufficient to assure the Shareholders that the Bank will properly monitor continuing connected transactions.

IV. APPROVAL BY THE BOARD OF DIRECTORS

At the twenty-ninth meeting of the fifth Board of Directors held on November 8, 2022, the Board approved the terms of the New Nanye Industrial Framework Agreement, the transactions contemplated thereunder, and the proposed annual caps for the years ending December 31, 2023, 2024 and 2025.

LI Yang, a non-executive Director of the Bank, is the son of LI Jianming, the ultimate beneficial owner of Nanye Industrial, so he has abstained from voting on the resolution regarding the New Nanye Industrial Framework Agreement and the proposed annual caps at the Board meeting. Save as aforesaid, none of the Directors has significant interests in the New Nanye Industrial Framework Agreement, or is required to abstain from voting on relevant board resolutions.

V. ABOUT THE PARTIES TO THE AGREEMENTS

The Group

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

Nanye Industrial

Nanye Industrial, established in May 1999, mainly engages in the wholesale and retail of coal, steel, pig iron, ore and local miscellaneous goods. Nanye Group has been transforming into a high-tech LED electronics company since 2009 in response to the call of Shanxi Province for "transformation and leapfrog development". The ultimate beneficial owner of Nanye Industrial is LI Jianming who holds 90% equity interest in Nanye Industrial and according to public information, LI Dongcheng holds 10% equity interest in Nanye Industrial. To the best knowledge of the Bank, LI Dongcheng is an Independent Third Party.

VI. IMPLICATION OF THE LISTING RULES

As at the date of this announcement, Nanye Industrial and Changzhi Huashengyuan directly hold 7.72% and 4.02% equity interest of the Bank, respectively. As Nanye Industrial and Changzhi Huashengyuan are parties acting-in-concert according to their respective confirmation, each of them is interested in a total of 11.74% equity interest of the Bank and is a substantial Shareholder of the Bank. According to the Listing Rules, Nanye Industrial and its associates are connected persons of the Bank. As a result, the entering into of the New Nanye Industrial Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Bank.

As one or more of the applicable percentage ratios of the proposed annual caps of the New Nanye Industrial Framework Agreement exceed 0.1% but all are less than 5% for the three years ending December 31, 2023, 2024 and 2025, the entering into of the New Nanye Industrial Framework Agreement and the proposed annual caps for transactions in each of the three years ending December 31, 2023, 2024 and 2025 are subject to the reporting, annual review and announcement requirements of Chapter 14A of the Listing Rules, but are exempt from the independent Shareholders' approval requirement thereof.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Bank”	Jinshang Bank Co., Ltd.*, a limited liability company established in China on October 16, 1998 in accordance with relevant Chinese laws and regulations, and (if the context requires) includes its predecessor, branches and sub-branches (excluding its subsidiary)
“Board” or “Board of Directors”	the board of Directors
“Changzhi Huashengyuan”	Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司), a party acting-in-concert with Nanye Industrial
“China” or “PRC”	the People’s Republic of China
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Bank
“Group”	the Bank and its subsidiary
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party independent of the Group and its connected persons

“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
“New Nanye Industrial Framework Agreement”	the framework agreement that the Bank entered into with Nanye Industrial on November 8, 2022 to provide fee- and commission-based products and services to Nanye Industrial and/or its associates
“Nanye Industrial”	Changzhi Nanye Industrial Group Co., Ltd. (長治市南燁實業集團有限公司)
“Original Nanye Industrial Framework Agreement”	the framework agreement that the Bank entered into with Nanye Industrial on March 26, 2020 to provide fee- and commission-based products and services to Nanye Industrial and/or its associates
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder of shares in the share capital of the Bank with a nominal value of RMB1.00 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

By order of the Board
Jinshang Bank Co., Ltd.*
LI Weiqiang
Joint company secretary

Taiyuan, November 8, 2022

As at the date of this announcement, the Board comprises Ms. HAO Qiang and Mr. ZHANG Yunfei as executive Directors; Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive Directors; and Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang as independent non-executive Directors.

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