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晋商银行
Jinshang Bank

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 TRANSACTIONS

SUMMARY

Reference is made to the prospectus of the Bank dated June 28, 2019, the announcements of the Bank dated March 26, 2020 and October 19, 2021, and the circulars of the Bank dated April 23, 2020 and November 29, 2021, in relation to, among other things, the Original Huaneng Framework Agreement, the Original SSCO Framework Agreement, the Huaneng Framework Supplemental Agreement, the SSCO Framework Supplemental Agreement, the New Huaneng Framework Agreement and the New SSCO Framework Agreement.

In light of the impending expirations of (i) the New Huaneng Framework Agreement with Huaneng Capital and (ii) the New SSCO Framework Agreement with SSCO, on November 15, 2024, the Bank entered into the Renewed Huaneng Framework Agreement with Huaneng Capital and the Renewed SSCO Framework Agreement with SSCO to renew such transactions for a term of three years from January 1, 2025 to December 31, 2027 and which are renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

As at the date of this announcement, Huaneng Capital and SSCO, which hold approximately 10.28% and 20.76% in the total issued share capital of the Bank, respectively, are substantial Shareholders of the Bank. According to Chapter 14A of the Hong Kong Listing Rules, Huaneng Capital, SSCO and their respective associates are connected persons of the Bank. As a result, the entering into of the Renewed Huaneng Framework Agreement and the Renewed SSCO Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios in respect of the annual caps set for the Renewed Huaneng Framework Agreement exceed 5%, according to Chapter 14A of the Hong Kong Listing Rules, the Renewed Huaneng Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios in respect of the annual caps set for the Renewed SSCO Framework Agreement is more than 0.1% but less than 5%, according to Chapter 14A of the Hong Kong Listing Rules, the Renewed SSCO Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

GENERAL

The Bank will establish an Independent Board Committee to advise the Independent Shareholders on the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027. The Independent Board Committee will advise the Independent Shareholders after considering the advice and recommendation of the Independent Financial Adviser. The Bank will, as soon as practicable and in compliance with the Hong Kong Listing Rules, despatch a circular containing, among others, (i) further details of the Renewed Huaneng Framework Agreement; (ii) an advisory letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders on the terms of the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027; (iii) recommendations from the Independent Board Committee to the Independent Shareholders; and (iv) the notice of the EGM. It is expected that the circular will be dispatched to the Shareholders on or before December 10, 2024, which is more than 15 business days after the publication of this announcement, as additional time is required to finalize the contents of the circular. The Shareholders and potential investors of the Bank should refer to the circular for further information.

I. CONTINUING CONNECTED TRANSACTIONS DETAILS

A. Renewed Huaneng Framework Agreement

Background information

In the ordinary and usual course of business, the Bank participates in the Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes and to comply with the requirements of the Hong Kong Listing Rules, the Bank entered into the Original Huaneng Framework Agreement with Huaneng Capital on June 24, 2019 to cover both the Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes.

On March 26, 2020, the Bank entered into the Huaneng Framework Supplemental Agreement with Huaneng Capital to expand the transactions with Huaneng Capital and its associates to cover (i) the Bank's participation in two funds management schemes launched by IGWFM and GWFM; (ii) the fee- and commission-based products and services provided by the Bank to Huaneng Capital and its associates; and (iii) the products and services provided by Huaneng Capital and its associates to the Bank, which mainly include the Yuncheng payment (being a service fee, based on a fixed fee rate, to be paid by the Bank to Yuncheng Financial Service in relation to the Bank's products on a mobile application developed and managed by Yuncheng Financial Service) ("**Yuncheng Payment**"). The Original Huaneng Framework Agreement and the Huaneng Framework Supplemental Agreement are valid until December 31, 2021.

In light of the expiration of the Original Huaneng Framework Agreement and Huaneng Framework Supplemental Agreement, on October 19, 2021, the Bank entered into the New Huaneng Framework Agreement with Huaneng Capital with a term of three years from January 1, 2022 to December 31, 2024 and which are renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

In light of the impending expiration of the New Huaneng Framework Agreement on December 31, 2024, the Bank entered into the Renewed Huaneng Framework Agreement with Huaneng Capital with a term of three years from January 1, 2025 to December 31, 2027 and which are renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules. Pursuant to it, the Bank shall continue to participate in the above transactions with Huaneng Capital and its associates.

Principal terms of the Renewed Huaneng Framework Agreement

The principal terms of the Renewed Huaneng Framework Agreement are set out below:

Date: November 15, 2024

Parties thereto: (i) the Bank; and
(ii) Huaneng Capital

Subject matter: (i) Investments by the Bank in asset management schemes, trust management schemes and funds management schemes launched by Huaneng Capital and its associates;
(ii) Fee- and commission-based products and services to be provided by the Bank to Huaneng Capital and its associates, which mainly include entrusted loans, settlement services and fund products consignment services; and
(iii) Products and services to be provided by Huaneng Capital and its associates to the Bank.

Term: From January 1, 2025 to December 31, 2027

Pursuant to the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder will be conducted in the usual and ordinary course of business of the Group on normal commercial terms that comply with applicable laws and regulations and industry practices and the parties should sign specific agreements separately for each actual transaction based on the terms thereunder.

Historical transaction amounts

The following table sets forth the investment amount, return of investment, management fees and/or remuneration, and fees and commissions received from/paid to Huaneng Capital and its associates during the following years/periods.

	Actual amounts for the years ended December 31,		Actual amounts for the six months ended June 30,	Actual amounts for the nine months ended September 30,	Approved annual cap for the year ending December 31,
	2022	2023	2024	2024	2024
<i>(in the thousands of RMB)</i>					
Investment amount	1,916,275.00	1,286,293.58	610,307.19	610,307.19	13,936,400.00
Return of investment	84,554.32	58,095.76	15,204.96	39,708.48	622,600.00
Management fees and/or remuneration	3,757.12	2,736.20	797.33	1,778.01	37,200.00
Fees and commissions received by the Bank	6,734.74	4,151.03	2,064.71	3,096.39	32,400.00
Fees paid by the Bank	0.00	0.00	0.00	0.00	9,000.00

The investment amount, return of investment, management fees and/or remuneration and fees and commissions received from/paid to Huaneng Capital and its associates for the year ending December 31, 2024 will be less than the approved annual cap, mainly due to (i) changes in business conditions and operational needs of Huaneng Capital and its associates; (ii) regulatory restrictions on the scale of wealth management and lower risk appetite of the Bank, resulting in a decrease in the investment amount and the corresponding return of investment and management fees and/or remuneration; and (iii) the decrease in the scale of our source of funds for investments in the asset management schemes, trust management schemes and funds management schemes launched by Huaneng Capital and/or its associates, that are mainly funds raised by the Bank from the issuance of wealth management products, which are affected by adjustments to the PRC bond market and fluctuated in 2024.

Proposed annual caps

For the years ending December 31, 2025, 2026 and 2027, the proposed annual caps on the investment amount, return of investment, management fees and/or remuneration, fees and commissions receivable from/payable by the Bank to Huaneng Capital and its associates under the Renewed Huaneng Framework Agreement are as follows:

	Proposed annual transactions caps for the year ending December 31,		
	2025	2026	2027
	<i>(in the thousands of RMB)</i>		
Investment amount			
Great Wall Securities Asset Management Schemes	1,400,000.00	980,000.00	—
Huaneng Guicheng Trust Schemes	200,000.00	140,000.00	—
IGWFM Schemes	200,000.00	140,000.00	—
GWFM Schemes	200,000.00	140,000.00	—
Sub-total	2,000,000.00	1,400,000.00	—
Return of investment	80,000.00	56,000.00	—
Management fees and/or remuneration	8,800.00	6,160.00	—
Fees and commissions receivable by the Bank	7,410.00	7,410.00	7,410.00
Fees payable by the Bank	150.00	150.00	150.00

Basis for the proposed annual caps

The Directors determined the proposed annual caps of the investment amount under the Renewed Huaneng Framework Agreement with reference to, among others, (a) the historical amounts for the investments, return of investment, and management fees and/or remuneration as set out above, in particular that the proposed annual cap for the year ended December 31, 2025 is similar to the historical amounts for the year ended December 31, 2022 and the proposed annual cap for the year ended December 31, 2026 is similar to the historical amounts for the year ended December 31, 2023; (b) the effect of cumulative calculation of investment amount per annum due to the expected one month holding period of investment in the products under the Great Wall Securities Asset Management Schemes, the Huaneng Guicheng Trust Schemes, the IGWFM Schemes and the GWFM Schemes by the Bank; (c) the Bank will gradually reduce its investments in the assets management schemes, collective trust schemes and funds management schemes over the next three years in accordance with the Bank's business operations and risk management, and it is expected that the Bank will discontinue such investments in 2027; and (d) the Bank and Huaneng Capital have made specific arrangements for the businesses for cooperation.

The Directors calculated the expected annualized return of investment of the assets management schemes, collective trust schemes, and funds management schemes ranging from 3.0% to 4.5% considering the loose monetary policies. The range is mainly determined by historical return. The rate of return on investments generated from the Great Wall Securities Asset Management Schemes by the Bank during the period from January 2022 to July 2024 was 4.77%. The historical rate of return on investments generated from Huaneng Guicheng Trust Schemes by the Bank was 3.5%. In relation to funds management schemes, the Bank proposes to invest in funds with investments in schemes that include no less than 80% debts ("**Bond Funds**") and money market funds management schemes ("**Money Market Funds**"). According to public data, for the recent year, the return of investment of Bond Funds managed by IGWFM ranges from 4% to 5% and the return of investment of Money Market Funds managed by IGWFM is approximately 2%; the return of investment of Bond Funds managed by GWFM ranges from 3% to 4% and the return of investment of Money Market Funds managed by GWFM is approximately 1.9%.

The annual caps of the management fees and/or remuneration are calculated based on the investment amount and the management fees/remuneration rate (if applicable) as published by Great Wall Securities, Huaneng Guicheng Trust, IGWFM and GWFM from time to time, which are applicable to all investors in such assets management schemes, collective trust schemes and funds management schemes.

The Directors determined the proposed annual caps of the fees and commissions related to the fee- and commission-based products to be provided to Huaneng Capital and its associates and the fees related to the products and services to be provided by Huaneng Capital and its associates to the Bank with reference to, among others, (a) the historical amounts as set out above, and the fluctuations in the volume of these products and services, in particular that the proposed annual caps for the next three years are similar to the historical amount for the year ended December 31, 2022; (b) it is expected that the size of entrusted loans services to be provided to Huaneng Capital and its associates will be around RMB7.0 billion for each year and the Bank will receive fees of approximately RMB7.0 million for each year based on a fee rate of 0.1%; (c) in relation to the fees payable by the Bank to Huaneng Capital and

its associates, it is expected that the Bank will promote some fund products on the mobile application of Yuncheng Financial Service, which is part of our direct banking services to Internet channel customers, as a supplement to the Group's traditional banking business; and (d) the possibility of the Group's future launch of new products and services.

Pricing

For asset management schemes, collective trust schemes and funds management schemes launched by Great Wall Securities, Huaneng Guicheng Trust, IGWFM and GWFM, the management fees and/or remuneration are applicable to all investors participating in such plans equally and evenly, including the Bank and any other independent third party investor participants. For single asset management schemes launched by Great Wall Securities, the management fees are at prevailing market rate based on arm's length negotiation by reference to public bond funds (公募債券型基金).

The fees and commissions of the fee- and commission-based products and services to be offered to Huaneng Capital and its associates are at the normal fee standards of the Bank. For such fee- and commission-based products and services, fees and commissions are charged by the Bank at a certain rate which is also applicable to independent counterparties.

In connection with the entrusted loans provided by the Bank to Huaneng Capital and its associates, the fees/rates are based on an internal price guidance of the Bank (the “**Price Guidance**”) and on arm's length negotiation between the Bank and Huaneng Capital and its associates, and are no less favorable than those offered to independent customers.

In connection with the settlement services provided by the Bank to Huaneng Capital and its associates, the commission rates are determined based on the Price Guidance and a number of factors, including the counterparties' credit rating, maturity, face value of the bills or notes, the costs that may be incurred in respect of such transactions and prevailing market conditions, and are no less favourable than those offered to independent customers.

In connection with the fund products consignment services provided by the Bank, the commission is determined with reference to the prevailing market rates and no less favourable than that offered to independent third parties. For each fund products consignment business, the retail banking business staff at the headquarter shall conduct a preliminary negotiation on the consigned products, commission rate, timetable, etc., and then report the negotiations to the head of the retail banking business department for approval by reference to the market conditions in the past three months and business with independent third parties.

For the products or services to be provided by Huaneng Capital and/or its associates (including the Yuncheng Payment), the Bank will be attentive to the purpose of the contracts with prudence, analyze the businesses, and set pricing standards no higher than those of third-party by comparing factors such as independent third-party prices.

B. Renewed SSCO Framework Agreement

Background information

In the ordinary and usual course of business, the Bank provides fee- and commission-based products and services to SSCO and its associates and to comply with the requirements of the Hong Kong Listing Rules, the Bank entered into the Original SSCO Framework Agreement with SSCO on June 24, 2019 to cover such transactions. On March 26, 2020, the Bank entered into the SSCO Framework Supplemental Agreement to adjust the original annual caps on fees and commissions related to fee- and commission-based products and services offered by the Bank to SSCO and its associates under the Original SSCO Framework Agreement. The Original SSCO Framework Agreement and the SSCO Framework Supplemental Agreement are valid until December 31, 2021.

In light of the expiration of the Original SSCO Framework Agreement and SSCO Framework Supplemental Agreement, on October 19, 2021, the Bank entered into the New SSCO Framework Agreement with SSCO with a term of three years from January 1, 2022 to December 31, 2024 and which are renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

In light of the impending expiration of the New SSCO Framework Agreement, on November 15, 2024, the Bank entered into the Renewed SSCO Framework Agreement with SSCO with a term of three years from January 1, 2025 to December 31, 2027 and which are renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules. Pursuant to it, the Bank shall continue to provide fee- and commission-based products and services to SSCO and its associates.

Principal terms of the Renewed SSCO Framework Agreement

The principal terms of the Renewed SSCO Framework Agreement are set out below:

Date: November 15, 2024

Parties thereto: (i) the Bank; and
(ii) SSCO

Subject matter: Fee- and commission-based products and services to be provided by the Bank to SSCO and its associates, which mainly include bank acceptance bills, letters of credit, debt securities distribution, debt securities underwriting, syndicated loans, factoring financing business, settlement services and wealth management business

Term: From January 1, 2025 to December 31, 2027

Pursuant to the Renewed SSCO 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 SSCO 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 product and service 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 the provisions of 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 SSCO and its associates during the following years/periods.

	Actual amounts for the years ended December 31,		Actual amounts for the six months ended June 30,	Actual amounts for the nine months ended September 30,	Approved annual cap for the year ending December 31,
	2022	2023	2024	2024	2024
	<i>(in the thousands of RMB)</i>				

Fees and commissions received from the provision of fee- and commission-based products and services to SSCO and its associates

69,620.95	57,583.51	24,566.01	35,030.50	354,900.00
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The fees and commissions received from the provision of fee- and commission-based products and services to SSCO and its associates for the year ending December 31, 2024 will be less than the approved annual cap, mainly because (i) the Bank strategically decreased the scale of the fee- and commission-based products and services in respond to the regulatory requirements; (ii) on the basis of strict adherence to the Measures for the Administration of the Prices of Services of Commercial Banks (《商業銀行服務價格管理辦法》), the Bank offered fee reduction and concession policies to enterprises in respect of certain fee- and commission-based products and services, to actively respond to the Initiative on Adjusting the Prices of Certain Services of Banks to Improve Service Quality and Efficiency (《關於調整銀行部分服務價格提升服務質效的倡議書》) issued by China Banking Association; (iii) the Bank's fee- and commission-based business was impacted by the lower financing needs in light of the operating conditions of SSCO and its associates; and (iv) the Bank's fees and commissions from forfeiting business decreased due to an increase in the resale price of forfeiting to interbank since 2023.

Proposed annual caps

For the years ending December 31, 2025, 2026 and 2027, the proposed annual caps on the fees and commissions receivable by the Bank from SSCO and/or its associates are as follows:

	Proposed annual transactions caps for the year ending December 31,		
	2025	2026	2027
	<i>(in the thousands of RMB)</i>		
Total	71,000.00	64,000.00	67,000.00

Basis for the proposed annual caps

The Directors determined the proposed annual caps with reference to, among others, (a) the historical amounts for the provision of fee- and commission-based products and services by the Bank to SSCO and its associates as set out above, and the fluctuations in the volume of these products and services; (b) it is expected that the bills amount of bank acceptance bills business with SSCO and its associates will be approximately RMB3.4 billion for each year and the Bank will receive fees of approximately RMB34.0 million for each year based on an expected average fee rate of 1.0%; (c) it is expected that the bills amount of the factoring financing business with SSCO and its associates will be approximately RMB700.0 million for each year and the Bank will receive fees of approximately RMB5.6 million for each year based on a fee rate of 0.8%; (d) it is expected that the bills amount of the letters of credit business with SSCO and its associates will be approximately RMB1.4 billion for each year and the Bank will receive fees of approximately RMB21.0 million for each year based on a fee rate of 1.5%; (e) in connection with debt securities distribution and underwriting business, it is expected that the Bank will receive fees of approximately RMB4.5 million for each year based on an expected annual underwriting amount of RMB3.0 billion and an average fee rate of 0.15%; (f) in connection with the syndicated loans business, it is expected that the Bank will receive fees of approximately RMB1.2 million for each year based on an expected annual underwriting amount of RMB800.0 million and an average fee rate of 0.15%; (g) the Group's forecast of future business development based on regulatory requirements and analysis of the market environment; and (h) the possibility of the Group's future launch of new products and services.

Pricing

Pursuant to the terms of the Renewed SSCO Framework Agreement, the two parties shall, based on the terms of the Renewed SSCO 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.

The fees and commissions of such fee- and commission-based products and services charged to SSCO and its associates by the Bank are at the normal fee standards. For such fee- and commission-based products and services, fees and commissions are charged by the Bank at a certain rate which is also applicable to independent counterparties.

In connection with the bank acceptance bill, the fixed percentage of commission is determined with reference to the Notice of the People's Bank of China on Issuing the Measures for Payment and Settlement (《中國人民銀行關於印發<支付結算辦法>的通知》) published by the PBoC and the Price Guidance which lists the pricing basis for all of the products and services of the Bank.

In connection with the letters of credit business with SSCO and its associates, the commission/commission rate is determined based on the Price Guidance and no less favourable than those offered to independent third parties.

In connection with the debt securities underwriting and distribution business with SSCO and its associates, such commission is determined based on arm's length negotiation between the debt securities issuers or the lead underwriter and the Bank with reference to prevailing market rates and where prevailing market rates are not applicable, the terms of the transactions are determined with reference to comparable transactions entered into with independent financial institutions. For each debt securities underwriting and distribution business, the Bank's branch business staff shall conduct a preliminary communication with the debt securities issuers on underwriting amount, commission rate, timetable, etc., and then report to the headquarter for approval of the commission rate. The headquarter shall determine a rate range by reference to the market conditions in the past three months, commission rate with independent third parties and the negotiations with the debt securities issuers and the branch business staff shall then further negotiate with the issuers within the rate range set by the headquarter.

In connection with syndicated loans, the commission/commission rate is determined based on arm's length negotiation between the syndicate members and the Bank with reference to the Notice of the State Administration of Financial Supervision on the Issuance of the Measures for the Administration of Syndicated Loan Businesses (《國家金融監督管理總局關於印發銀團貸款業務管理辦法的通知》).

In connection with factoring financing business with SSCO and its associates, the commission rates are determined with reference to a number of factors, including service contents, transaction nature, risk level, comprehensive income and market competition, and are no less favourable than those offered to independent customers.

In connection with the settlement services provided to SSCO and its associates, the commission rates are determined based on the Price Guidance and a number of factors, including the credit rating of the counterparties, maturity, face value of the bills or notes, the costs that may be incurred in respect of such transactions and prevailing market conditions, and are no less favourable than those offered to independent customers.

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

II. GROUNDS AND BENEFITS OF ENTERING INTO THE RENEWED HUANENG FRAMEWORK AGREEMENT AND RENEWED SSCO FRAMEWORK AGREEMENT

Relying on China Huaneng Group Co., Ltd. (中國華能集團有限公司) (“**Huaneng Group**”), Huaneng Capital is a comprehensive financial service provider specializing in energy and basic industries. SSCO, as the state-owned financial capital operation platform in Shanxi province, has great financial strength. The transactions with Huaneng Capital, SSCO and their respective associates are our daily business and the cooperation helps the Group to enhance its cooperation with leading enterprises in the province and its business diversification.

The Directors (including the independent non-executive Directors) are of the opinion that the Renewed SSCO Framework Agreement was entered into in the ordinary course of business of the Group, on normal commercial terms, and negotiated on an arm's length basis, while the transaction terms and relevant proposed annual caps under the Renewed SSCO Framework Agreement are fair and reasonable and in the interests of the Bank and its Shareholders as a whole.

The Directors (other than the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the opinion that the Renewed Huaneng Framework Agreement was entered into in the ordinary course of business of the Group, on normal commercial terms, and negotiated on an arm's length basis, while the transaction terms and relevant proposed annual caps under the Renewed Huaneng 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 penetration management of substantial Shareholders to achieve effective collection of data related to connected transactions. To meet the management requirements of the Hong Kong Stock Exchange in relation to connected transactions, the Bank has formulated the “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 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 the Shareholders as a whole. In recent years, the Bank has strengthened its technological empowerment to build an intelligent banking system, adhered to the digital finance-oriented approach, and further enhanced the efficiency of related party (connected) transactions management. The Bank's related party (connected) transactions system has been launched, realized the functions of monitoring, statistics and management of related party (connected) transactions.
- (ii). The “Measures for the Management of Related Party Transactions” aims to standardize and set out the management responsibilities and division of responsibilities as well as monitoring mechanisms related to the connected transactions of the Bank, and to safeguard the interests of the Shareholders as a whole and the interests of the Bank and its stakeholders. The connected transactions of the Bank must be conducted in accordance with the principles, rules and procedures specified in the said policies and 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 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 us and the Shareholders as a whole.
- (v). Each responsible department must submit the contract to the Bank's legal compliance department for review prior to entering into any specific connected transaction to ensure that the terms of the contract comply with applicable laws, rules and regulations and internal policies and practices. After entering into the transactions, the responsible department must file with the risk management department of the Bank with the details of the continuing connected transactions.
- (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 monthly 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 Hong Kong 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 us and the Shareholders as a whole. The independent non-executive Directors will also conduct annual reviews of continuing connected transactions in accordance with the Hong Kong Listing Rules. The Bank will engage an external auditor to make reports on continuing connected transactions every year. The external auditor will write to the Board to confirm the matters required by the Hong Kong Listing Rules, including whether the continuing connected transactions are conducted in accordance with the relevant pricing policies.

The Directors have confirmed that the Bank's qualifications and internal control procedures can effectively guarantee the transactions between the Bank and Huaneng Capital, SSCO and/or their respective associates will be conducted in accordance with the Renewed Huaneng Framework Agreement and the Renewed SSCO 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 Independent Shareholders that the Bank will properly monitor continuing connected transactions.

IV. APPROVAL BY THE BOARD OF DIRECTORS

At the 11th meeting of the sixth session of the Board of Directors held on November 15, 2024, the Board approved the terms of the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder, and the proposed annual caps for the years ending December 31, 2025, 2026 and 2027 and the terms of the Renewed SSCO Framework Agreement, the transactions contemplated thereunder, and the proposed annual caps for the years ending December 31, 2025, 2026 and 2027.

Mr. MA Hongchao, a non-executive Director, served in several subsidiaries of Huaneng Group, and therefore he has abstained from voting on the resolution regarding the Renewed Huaneng Framework Agreement and its proposed annual caps at the Board meeting. Mr. WANG Jianjun, a non-executive Director, served in several subsidiaries of Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司), being a subsidiary of SSCO, and therefore he has abstained from voting on the resolution regarding the Renewed SSCO Framework Agreement and its proposed annual caps at the Board meeting. Save as aforesaid, none of the Directors has significant interests in the Renewed Huaneng Framework Agreement or the Renewed SSCO Framework Agreement, or is required to abstain from voting on relevant Board resolutions.

V. PARTIES TO THE AGREEMENTS

The Bank

The Bank's principal businesses include corporate banking, retail banking and financial markets business. The Bank 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 Bank 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 Bank's financial markets business primarily consists of interbank market transactions, investment management, wealth management, and bill discounting and rediscounting.

Huaneng Capital

Huaneng Capital, established in 2003, is a financial asset investment and professional management institution and financial service platform of Huaneng Group. Huaneng Capital has gradually become a comprehensive financial service provider specializing in energy and basic industries and a comprehensive financial holding company by leveraging the reputation and business resources supported by Huaneng Group's strong industrial background. Huaneng Capital is one of the state-owned Shareholders and according to public available information it is held:

- (i) as to 61.22% equity interest by Huaneng Group, in which State-owned Assets Supervision and Administration Commission of the State Council holds 100% equity interest; Huaneng Group is an integrated energy company primarily focused on power generation;

- (ii) as to 15.00% equity interest by Shenzhen Overseas Chinese Town Capital Investment Management Co., Ltd. (深圳華僑城資本投資管理有限公司), which is indirectly wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council;
- (iii) as to 10.00% equity interest by Yunnan Nengtou Capital Investment Company Limited (雲南能投資本投資有限公司), which is a wholly owned subsidiary of Yunnan Energy Investment Group Co., Ltd. (雲南省能源投資集團有限公司), which is held:
 - (a) as to 61.69% equity interest by Yunnan Provincial Investment Holdings Group Co., Ltd. (雲南省投資控股集團有限公司) (“**Yunnan Investment**”) directly and indirectly through its wholly-owned subsidiaries, Yunnan Yineng New Energy Development Co., Ltd. (雲南溢能新能源發展有限責任公司) and Yunnan Assets Management Co., Ltd. (雲南省資產管理有限公司) and its subsidiary, Yunnan Yuntou Capital Operation Co., Ltd. (雲南雲投資本運營有限公司) (in which Yunnan Investment directly holds 72.99% equity interest and indirectly holds the remaining equity interest through Yunnan State-owned Capital Operation Management Co., Ltd. (雲南省國有股權運營管理有限公司), which is held as to 57.44% by Yunnan Investment and as to 42.56% by China Life Assets Management Co., Ltd. (中國人壽資產管理有限公司), a company held as to 60% by China Life Insurance Co., Ltd. (中國人壽保險股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 601628 and on the Hong Kong Stock Exchange with stock code 2628) and as to 40% by China Life Insurance (Group) Company (中國人壽保險(集團)公司)); Yunnan Investment is held as to 90.00% equity interest by State-owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government (雲南省人民政府國有資產監督管理委員會), and as to 10.00% by Yunnan Provincial Department of Finance (雲南省財政廳);
 - (b) as to 34.28% equity interest by State-owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government (雲南省人民政府國有資產監督管理委員會) directly and indirectly through Yuntianhua Group Co., Ltd. (雲天化集團有限責任公司), in which it directly and indirectly holds 73.31% equity interest; and
 - (c) as to 4.03% equity interest indirectly by China Copper Limited (中國銅業有限公司), which is held as to 64.53% indirectly by State-owned Assets Supervision and Administration Commission of the State Council; as to 24.16% equity interest by Yunnan Energy Investment Group Co., Ltd. (雲南省能源投資集團有限公司); as to 9.18% equity interest by State-owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government; and as to 2.13% equity interest by Finance Bureau of Lanping Bai and Pumi Autonomous County of Yunnan Province (雲南省蘭坪白族普米族自治縣財政局));
- (iv) as to 7.65% equity interest by Guoxin Shengde Investment (Beijing) Company Limited (國新盛德投資(北京)有限公司), an indirectly wholly owned subsidiary of the State Council;

- (v) as to 3.27% equity interest by China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), which is indirectly held as to 35.42% equity interest by the State Council; as to 25.30% by China Construction Bank Corporation (中國建設銀行股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 601939 and on the Hong Kong Stock Exchange with stock code 0939); as to 21.25% by State-owned Assets Supervision and Administration Commission of the State Council; as to 12.98% equity interest by China Merchants Capital Management Co., Ltd. (招商局資本管理有限責任公司); and as to 5.06% equity interest by the State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會); and
- (vi) as to 2.86% equity interest by Beijing Urban Construction Investment & Development Co., Ltd. (北京城建投資發展股份有限公司), a company listed on the Shanghai Stock Exchange with stock code 600266.

SSCO

SSCO, established by State-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province (山西省人民政府國有資產監督管理委員會) ("Shanxi SASAC") in July 2017, is mainly responsible for state-owned capital operation and related business. It is the only provincial state-owned capital operation company in Shanxi province that covers multiple areas including energy, metallurgy, power, equipment manufacturing, infrastructure construction and consumption, and has a mission to strategically adjust the structure of state-owned capital in Shanxi province. SSCO is wholly-owned by Shanxi SASAC.

VI. IMPLICATION OF THE HONG KONG LISTING RULES

As at the date of this announcement, Huaneng Capital and SSCO are the substantial Shareholders of the Bank and hold approximately 10.28% and 20.76% in the total issued share capital of the Bank, respectively. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, Huaneng Capital, SSCO and their respective associates are connected persons of the Bank. The entering into of the Renewed Huaneng Framework Agreement and the Renewed SSCO Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios in respect of the annual caps set for the Renewed SSCO Framework Agreement is more than 0.1% but less than 5%, the Renewed SSCO Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios in respect of the annual caps set for the Renewed Huaneng Framework Agreement exceed 5%, according to Chapter 14A of the Hong Kong Listing Rules, the Renewed Huaneng Framework Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Bank will establish an Independent Board Committee to advise the Independent Shareholders on the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027. The Independent Board Committee consists of all independent non-executive Directors. The Independent Board Committee will, after considering the advice and recommendation by the Independent Financial Adviser, advise the Independent Shareholders on the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027. For such purpose, the Bank has appointed Somerley Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027.

Pursuant to Rule 14A.36 of the Hong Kong Listing Rules, any Shareholder who has a material interest in the Renewed Huaneng Framework Agreement must abstain from voting on the relevant resolution at the EGM. Therefore, Huaneng Capital and its associates must abstain from voting on the resolution regarding the Renewed Huaneng Framework Agreement and its proposed annual caps at the EGM.

The Bank will, as soon as practicable and in compliance with the Hong Kong Listing Rules, despatch a circular containing, among others, (i) further details of the Renewed Huaneng Framework Agreement; (ii) an advisory letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027; (iii) recommendations from the Independent Board Committee to the Independent Shareholders; and (iv) the notice of the EGM. It is expected that the circular will be dispatched to the Shareholders on or before December 10, 2024, which is more than 15 business days after the publication of this announcement, as additional time is required to finalize the contents of the circular. The Shareholders and potential investors of the Bank should refer to the circular for further information.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Bank”	Jinshang Bank Co., Ltd.* (晉商銀行股份有限公司), a joint stock company established on October 16, 1998 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiary
“Board” or “Board of Directors”	the board of Directors of the Bank
“China” or “PRC”	the People’s Republic of China
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Bank
“EGM”	the 2024 first extraordinary general meeting of the Bank to be held at the Conference Room, 22nd Floor, No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC at 10:00 a.m. on Friday, December 27, 2024, or any adjournment thereof
“Great Wall Securities”	Great Wall Securities Co., Ltd. (長城證券股份有限公司), being an associate of Huaneng Capital
“Great Wall Securities Asset Management Schemes”	the asset management schemes launched by Great Wall Securities
“Group”, “we” or “us”	the Bank together with its subsidiary, and, if the context requires, includes its predecessors, branches and sub-branches
“GWFM”	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司), being an associate of Huaneng Capital
“GWFM Schemes”	the funds management schemes launched by GWFM
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaneng Capital”	Huaneng Capital Service Co., Ltd. (華能資本服務有限公司)
“Huaneng Framework Supplemental Agreement”	the supplemental agreement to the Original Huaneng Framework Agreement that the Bank entered into with Huaneng Capital on March 26, 2020 to expand the transactions scope and to adjust the annual caps under the Original Huaneng Framework Agreement
“Huaneng Guicheng Trust”	Huaneng Guicheng Trust Corp., Ltd. (華能貴誠信託有限公司), being an associate of Huaneng Capital
“Huaneng Guicheng Trust Schemes”	the collective trust schemes launched by Huaneng Guicheng Trust
“IGWFM”	Invesco Great Wall Fund Management Co., Ltd (景順長城基金管理有限公司), being an associate of Huaneng Capital
“IGWFM Schemes”	the funds management schemes launched by IGWFM
“Independent Board Committee”	an independent board committee composed of all independent non-executive Directors to advise the Independent Shareholders on the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027
“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027
“Independent Shareholders”	all Shareholders excluding Huaneng Capital and its associates

“New Huaneng Framework Agreement”	the framework agreement that the Bank entered into with Huaneng Capital on October 19, 2021 regarding renewal of the Original Huaneng Framework Agreement and the Huaneng Framework Supplemental Agreement
“New SSCO Framework Agreement”	the framework agreement that the Bank entered into with SSCO on October 19, 2021 regarding the renewal of the Original SSCO Framework Agreement and the SSCO Framework Supplemental Agreement
“Original Huaneng Framework Agreement”	the framework agreement that the Bank entered into with Huaneng Capital on June 24, 2019 to cover both the Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes
“Original SSCO Framework Agreement”	the framework agreement that the Bank entered into with SSCO on June 24, 2019 to provide fee- and commission-based products and services to SSCO and its associates
“PBoC”	the People’s Bank of China (中國人民銀行)
“Renewed Huaneng Framework Agreement”	the framework agreement that the Bank entered into with Huaneng Capital on November 15, 2024 regarding renewal of the New Huaneng Framework Agreement
“Renewed SSCO Framework Agreement”	the framework agreement that the Bank entered into with SSCO on November 15, 2024 regarding the renewal of the New SSCO Framework Agreement
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Share(s) of the Bank
“Shares”	the ordinary share(s) of RMB1.00 each in the share capital of the Bank
“SSCO”	Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司), which was formerly named as Shanxi State-owned Capital Investment and Operation Co., Ltd. (山西省國有資本投資運營有限公司)

“SSCO Framework Supplemental Agreement”	the supplemental agreement to the Original SSCO Framework Agreement that the Bank entered into with SSCO on March 26, 2020 to adjust the annual caps on fees and commissions related to fee- and commission-based products and services offered by the Bank to SSCO and/or its associates under the Original SSCO Framework Agreement
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Yuncheng Financial Service”	Beijing Yuncheng Financial Service Company Limited (北京雲成金融信息服務有限公司), being an associate of Huaneng Capital
“%”	per cent

By order of the Board
Jinshang Bank Co., Ltd.*
LI Yanbin
Joint Company Secretary

Taiyuan, November 15, 2024

As at the date of this announcement, the Board comprises Ms. HAO Qiang and Mr. ZHANG Yunfei as executive Directors; Mr. LI Shishan, Mr. MA Hongchao, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive Directors; Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny 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 and/or deposit-taking business in Hong Kong.*