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If you have sold or transferred all your shares in Jinshang Bank Co., Ltd.*, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee or to a licensed securities dealer or registered institutions in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS (2) APPOINTMENT OF DIRECTORS (3) RESIGNATION OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR (4) DETERMINATION OF THE WRITE-OFF AMOUNT OF NON-PERFORMING ASSETS (INCLUDING CREDIT ASSETS AND NON-CREDIT ASSETS) FOR 2025 AND (5) NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

*Independent Financial Adviser to the Independent Board Committee and the
Independent Shareholders in respect of the renewal of continuing connected transactions*



SOMERLEY CAPITAL LIMITED

The letter from the Board is set out on pages 5 to 24 of this circular.

The Bank will convene the EGM 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. The notice of the EGM is set out on pages 62 to 64 of this circular.

Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and the proxy form must be delivered to our Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the Shareholders of H Shares) or the office of the Board of Directors at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (for the Shareholders of Domestic Shares) as soon as possible and in any event, not later than 24 hours before the scheduled time (10:00 a.m. on Thursday, December 26, 2024) for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending in person and voting at the EGM should you so wish, in this case, the instrument appointing the proxy should be deemed withdrawn. The proxy forms for the EGM were published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.jshbank.com).

* 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.

December 5, 2024

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as amended, modified or otherwise supplemented from time to time
“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
“Board of Supervisors”	the board of Supervisors 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
“Domestic Shares”	the ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“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

DEFINITIONS

“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
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	the ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed and traded on the Hong Kong Stock Exchange
“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

DEFINITIONS

“Independent Board Committee”	an independent board committee composed of all independent non-executive Directors of the Bank 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 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
“Latest Practicable Date”	December 2, 2024, the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained herein
“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
“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
“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
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Shanxi Supervision Bureau”	Shanxi Supervision Bureau of National Financial Regulatory Administration (國家金融監督管理總局山西監管局)
“Shareholder(s)”	the holder(s) of the Share(s) of the Bank
“Shares”	the Domestic Share(s) and H Share(s) of the Bank
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Bank
“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

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. HAO Qiang (郝強) (*chairwoman*)
Mr. ZHANG Yunfei (張雲飛) (*vice chairman*)

Non-executive Directors:

Mr. LI Shishan (李世山)
Mr. MA Hongchao (馬洪潮) (*vice chairman*)
Mr. LIU Chenhang (劉晨行)
Mr. LI Yang (李楊)
Mr. WANG Jianjun (王建軍)

Independent non-executive Directors:

Mr. WANG Liyan (王立彥)
Mr. DUAN Qingshan (段青山)
Mr. SAI Zhiyi (賽志毅)
Ms. HU Zhihong (胡稚弘)
Mr. CHAN Ngai Sang Kenny (陳毅生)

**Registered Address and Address
of Head Office:**

No. 59 Changfeng Street
Xiaodian District
Taiyuan
Shanxi Province, the PRC

**Principal Place of Business
in Hong Kong:**

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai
Hong Kong

To the Shareholders

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
(2) APPOINTMENT OF DIRECTORS
(3) RESIGNATION OF AN INDEPENDENT
NON-EXECUTIVE DIRECTOR
(4) DETERMINATION OF THE WRITE-OFF AMOUNT
OF NON-PERFORMING ASSETS (INCLUDING CREDIT
ASSETS AND NON-CREDIT ASSETS) FOR 2025
AND
(5) NOTICE OF THE 2024 FIRST EXTRAORDINARY
GENERAL MEETING**

I. INTRODUCTION

The EGM will 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. The following resolutions will be proposed at the EGM for the Shareholders to consider and, if thought fit, to approve: (1) the Renewed Huaneng Framework Agreement; (2) appointment of Mr. LI Yanbin as an executive Director of the sixth session of the Board; (3) appointment of Mr. LIANG Yongming as an independent non-executive Director of the sixth session of the Board; (4) appointment of Mr. SUO Xuquan as an independent non-executive Director of the sixth session of the Board; (5) resignation of Mr. WANG Liyan as an independent non-executive Director; and (6) the determination of the write-off amount of non-performing assets (including credit assets and non-credit assets) for 2025. The notice of the EGM is set out on pages 62 to 64 of this circular.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of these proposed matters to enable you to make an informed voting decision on the proposed resolutions at the EGM.

II. MATTERS TO BE RESOLVED AT THE EGM

1. Renewal of Continuing Connected Transactions

(1) *Continuing Connected Transactions Details*

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 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 App Services**")). 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.

LETTER FROM THE BOARD

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, which is Yuncheng App Services.
- 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.

LETTER FROM THE BOARD

Historical transaction amounts

The following table sets forth the investment amount, return of investment, management fees and/or remuneration (including performance fees on the amount exceeding the expected return of investments) paid by the Bank, 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	13,936,400.0
Return of investment	84,554.32	58,095.76	15,204.96	39,708.48	622,600.0
Management fees and/or remuneration paid by the Bank	3,757.12	2,736.20	797.33	1,778.01	37,200.0
Fees and commissions received by the Bank	6,734.74	4,151.03	2,064.71	3,096.39	32,400.0
Fees paid by the Bank	0.00	0.00	0.00	0.00	9,000.0

The investment amount, return of investment, management fees and/or remuneration paid by the Bank 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, in particular that the entrusted loans with Huaneng Capital was decreased significantly; (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 paid by the Bank; (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; and (iv) the Bank settled its Anxinfu (安鑫富) products, which were investment products offered to Internet channel customers and promoted on the mobile application of Yuncheng Financial Service, by the end of 2021 and did not promote other products for the period from 2022 to 2024 and therefore, the fees paid by the Bank to Huaneng Capital and its associates for the two years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 were zero.

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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 (including performance fees on the amount exceeding the expected return of investments) payable by the Bank, 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 payable by the Bank	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 (including performance fees on the amount exceeding the expected return of investments) paid by the Bank for the years ended December 31, 2022 and 2023; (b) the Bank proposes to gradually reduce its investments in the assets management schemes, collective trust schemes and funds management schemes in accordance with the Bank's business operations and risk management by an annualized rate of 30%, and it is expected that the Bank will discontinue such investments in 2027; (c) the Bank and Huaneng Capital have made specific arrangements for the businesses for cooperation regarding the renewal of the existing investments in Great Wall Securities Asset Management Schemes which are of approximately RMB941 million; and (d) the effect of cumulative calculation of investment amount per annum due to the short holding period of investments in the assets management schemes, collective trust schemes and funds management schemes with Huaneng Capital and its associates ranging from one day to 732 days.

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The Directors calculated the expected annualized return of investment of the assets management schemes, collective trust schemes, and funds management schemes based on a return rate of 4.0%. The rate is mainly determined by historical rate of return on investments generated from the Great Wall Securities Asset Management Schemes by the Bank during the period from January 2022 to August 2024 of 4.77% and considering the downward trend of market interest rate and the loose monetary policies. The historical rate of return on investments generated from Huaneng Guicheng Trust Schemes by the Bank for the period from 2019 to 2021 was 3.5%. The Bank did not make investments in Huaneng Guicheng Trust Schemes, IGWFM Schemes and GWFM Schemes for the period from 2022 to 2024. 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 payable by the Bank 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. In connection with Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes, the management fees and/or remuneration payable by the Bank are calculated on the basis of (a) a fixed management fee of 0.1% on the investment amount; and (b) performance fee of 20% on the amount exceeding the expected return of investments which is calculated by 1% on the investment amount since 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 August 2024 was 4.77% and the benchmark return rate of Huaneng Capital’s investments has historically been approximately 3.20% and a conservative approach was adopted to use 1% on the investment amount to calculate the performance fee. In connection with IGWFM Schemes and GWFM Schemes, the management fees are calculated by 1.0% on the investment amount.

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 amounts 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

LETTER FROM THE BOARD

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 our Group's traditional banking business; and (d) the possibility of the Group's future launch of new products and services.

Principal terms

The principal terms of Great Wall Securities Asset Management Schemes are set out as follows:

- Great Wall Securities shall independently operate and manage the assets in accordance with the terms and conditions of the asset management schemes subject to the supervision of the asset custodian;
- the historical annualized return on investment of the assets management schemes ranges from 1.3% to 4.8%, the management fee rate ranges from 0.05% to 0.2% and the annual custody fee rate payable by the Bank to the asset custodian ranges from 0.01% to 0.05%;
- the term of such asset management schemes may range from six months to three years; and
- Great Wall Securities shall issue and publish asset management reports about the portfolio of the investment assets, net value of the assets, fees and investment return in accordance with the asset management schemes.

The principal terms of Huaneng Guicheng Trust Schemes are set out as follows:

- Huaneng Guicheng Trust shall, in its own name, manage, utilize or dispose the trust property in the interest of the Bank;
- the annual remuneration and the annual management fee payable to the trustee shall be calculated according to the formula as provided in the relevant trust agreement at a minimum rate of 0.3% and 0.1%, respectively, and the annual custody fee rate payable by the Bank to the trust custodian is 0.01%;
- the term of such trust schemes is 36 months; and
- Huaneng Guicheng Trust shall provide the Bank information relevant to the trust schemes, including but not limited to notice of establishment of trust plan, trust property management report, trust property utilization and return report.

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The principal terms of IGWFM Schemes are set out as follows:

- the IGWFM Schemes are operated by IGWFM as the manager which is responsible for the operation of the funds;
- the annual management fee payable to the manager shall be calculated in accordance with the formula as provided in the relevant funds agreement at an approximate rate of 1.0% based on the issued products by IGWFM; and
- the term of such funds management schemes is for an indefinite period and is subject to subscription/redemption at any time based on changes in the net asset value of the funds.

The principal terms of GWFM Schemes are set out as follows:

- the GWFM Schemes are operated by GWFM as the manager which is responsible for the operation of the funds;
- the annual management fee payable to the manager shall be calculated in accordance with the formula as provided in the relevant funds agreement at an approximate rate of 1.0% based on the issued products by GWFM; and
- the term of such funds management schemes is for an indefinite period and is subject to subscription/redemption at any time based on changes in the net asset value of the funds.

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 payable by the Bank are applicable to all investors participating in such plans, 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) which raise capitals from the public and 80% of funds assets are invested in bonds. In connection with Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes, a performance fee on the amount exceeding the expected return of investments will be charged and the rate of performance fee is at the prevailing market rate based on arm's length negotiation and is not less favourable than those offered by independent third parties.

LETTER FROM THE BOARD

The fees and commissions of the fee- and commission-based products and services to be offered to Huaneng Capital and its associates are charged by the Bank at a certain rate which is also applicable to independent counterparties. The fee- and commission-based products and services to be provided by the Bank to Huaneng Capital and its associates mainly include entrusted loans, settlement services and fund products consignment services, the pricing policies of which are set out below.

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. The Price Guidance was established by the Bank in accordance with the Price Law of the People’s Republic of China (《中華人民共和國價格法》) and the Measures for the Administration of Service Prices of Commercial Banks (《商業銀行服務價格管理辦法》) and taking into account of the actual situation of the Bank’s business operations, which has also been published on the website of the Bank.

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 Guideline 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 and services to be provided by Huaneng Capital and/or its associates (i.e. the Yuncheng App Services), the Bank shall pay a service fee, based on a fixed fee rate of 0.06% to Yuncheng Financial Service. Huaneng Capital is charging their clients at a rate ranging between 0.06% - 0.27% of similar business using Yuncheng App Services. Therefore, the rate charged to the Bank is not higher than those offered to independent third parties by Yuncheng Financial Service.

LETTER FROM THE BOARD

(2) Grounds and Benefits of Entering into the Renewed Huaneng 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. The transactions with Huaneng Capital and its 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 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.

(3) 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 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 our 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 our 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.

LETTER FROM THE BOARD

- (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, checking the specific terms of continuing connected transactions on a quarterly basis, 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 our 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 our 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.

LETTER FROM THE BOARD

The Directors have confirmed that the Bank's qualifications and internal control procedures can effectively guarantee the transactions between the Bank and Huaneng Capital and/or its associates will be conducted in accordance with the Renewed Huaneng 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.

(4) 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.

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. Save as aforesaid, none of the Directors has significant interests in the Renewed Huaneng Framework Agreement, or is required to abstain from voting on the relevant Board resolution.

(5) Parties to the Renewed Huaneng Framework Agreement

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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- (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 64.54% indirectly by State-owned Assets Supervision and Administration Commission of the State Council; as to 24.15% 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 35.41% 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.

(6) Implication of the Hong Kong Listing Rules

As at the Latest Practicable Date, Huaneng Capital is the substantial Shareholder of the Bank and hold approximately 10.28% in the total issued share capital of the Bank. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, Huaneng Capital and its associates are connected persons of the Bank. The entering into of the Renewed Huaneng Framework Agreement with Huaneng Capital and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

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 Independent Board Committee, comprising all independent non-executive Directors, has been formed to advise the Independent Shareholders on the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. The letter from the Independent Board Committee setting out its advice and recommendations to the Independent Shareholders on the Renewed Huaneng Framework Agreement, the transactions contemplated thereunder and the proposed annual caps is set out on pages 25 to 26 of this circular. Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of 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. The letter from the Independent Financial Adviser is set out on pages 27 to 48 of this circular.

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.

2. Appointment of Directors of the Sixth Session of the Board of Directors of the Bank

References are made to the announcement of the Bank dated August 6, 2024 that the Board resolved to nominate each of Mr. LI Yanbin (李燕斌) (“**Mr. Li**”) and Mr. ZHAO Jiquan (趙基全) (“**Mr. Zhao**”) as an executive Director and the announcement of the Bank dated November 15, 2024 that the Board resolved to nominate each of Mr. LIANG Yongming (梁永明) (“**Mr. Liang**”) and Mr. SUO Xuquan (索緒權) (“**Mr. Suo**”) as an independent non-executive Director of the Bank. The appointment of Mr. Li as an executive Director and the appointment of each of Mr. Liang and Mr. Suo as an independent non-executive Director are still subject to the approval by the Shareholders at the EGM and the approval from Shanxi Supervision Bureau on the qualification of directorship of each of Mr. Li, Mr. Liang and Mr. Suo.

Due to work re-arrangements, Mr. Zhao has resigned as a vice president of the Bank on October 30, 2024. The appointment of Mr. Zhao as an executive Director is still subject to the approval by the Shareholders at the EGM and the approval from Shanxi Supervision Bureau on his qualification of directorship. Considering of his resignation as a vice president of the Bank, the Board will no longer propose Mr. Zhao for consideration as an executive Director by the

LETTER FROM THE BOARD

Shareholders at the EGM. Mr. Zhao has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation as a vice president of the Bank that needs to be brought to the attention of the Shareholders and the Hong Kong Stock Exchange.

The biographical details of Mr. Li, Mr. Liang and Mr. Suo are set out in Appendix II to this circular.

The Nomination, Remuneration and HR Committee of the Board recommends candidates for independent non-executive Directors to the Board in accordance with the following selecting criteria and nomination procedures:

- identifying qualified individuals as independent non-executive Directors and selecting or making recommendations to the Board on selection of individuals nominated for independent non-executive Directors after due consideration of the requirements of the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Commercial Banking Law of the People's Republic of China (《中華人民共和國商業銀行法》), the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Corporate Governance Guidelines for Banking and Insurance Institutions (《銀行保險機構公司治理準則》), the Administrative Measures for the Independent Directors of Listed Companies of China Securities Regulatory Commission (中國證券監督管理委員會《上市公司獨立董事管理辦法》) and the Articles of Association, the Rules of Procedures for the Shareholders' General Meeting, the Rules of Procedures for the Board of Directors of the Bank and other laws and regulations, normative documents and documents in relation to internal governance with combination of the actual situation of the Bank's work and the contributions that such candidates may make to the Board considering various factors, including but not limited to, cultural and education background, qualification, perspectives, skills, professional experience, independence, and gender diversity;
- assessing the sufficiency of time commitment of an independent non-executive Director to affairs of the Board; and
- assessing the independence of independent non-executive Directors with reference to the factors as set out in Rule 3.13 of the Hong Kong Listing Rules and any other factors the Nomination, Remuneration and HR Committee or the Board deems appropriate to determine their qualifications.

Mr. Liang has a solid academic background and extensive experience in financial management, accounting and auditing and Mr. Suo has extensive experience in banking industry. The election of Mr. Liang and Mr. Suo as independent non-executive Directors is conducive to the continuous and effective performance of the Board, which meets the requirements for diversity of the Board.

LETTER FROM THE BOARD

The Bank will enter into a service contract with each of Mr. Li, Mr. Liang and Mr. Suo for a term of office commencing from the date of approval of their qualification of directorship by Shanxi Supervision Bureau till the date of the expiration of the term of office of the sixth session of the Board (three years from December 22, 2022). The Bank will determine Mr. Li's remuneration in accordance with the relevant provisions of the Articles of Association and the Interim Measures for the Remuneration Administration of Persons in Charge of Provincial State-Owned Local Financial Enterprises in Shanxi Province (《山西省省屬國有地方金融企業負責人薪酬管理暫行辦法》) issued by Shanxi Finance Bureau, which is mainly comprised of base annual salary, performance-based annual salary, term incentive income, social insurance, housing provident fund and benefits such as enterprise annuity. The specific amount of Mr. Li's remuneration will be determined after the end of each financial year, taking into consideration his personal performance on various aspects, such as achieving planned tasks, promoting the compliance with laws and regulations and implementation of internal control measures and risk prevention and control measures of his responsible departments, and the Bank's business performance. The annual fees for each of Mr. Liang and Mr. Suo as an independent non-executive Director are expected to be RMB200,000 (pre-tax) with reference to his duties, responsibilities to the Bank and the prevailing market conditions.

Each of Mr. Liang and Mr. Suo has confirmed that (i) he meets the independence criteria as set out in Rule 3.13 of the Hong Kong Listing Rules; (ii) he has no past or present financial or other interest in the business of the Bank or its subsidiary or any connection with any core connected person (as defined in the Hong Kong Listing Rules) of the Bank; and (iii) there are no other factors that may affect his independence at the time of his appointment. The Board considers that Mr. Liang and Mr. Suo are independent pursuant to the independence criteria set out in Rule 3.13 of the Hong Kong Listing Rules.

Each of Mr. Li, Mr. Liang and Mr. Suo has confirmed that, save as disclosed in this circular, as at the date of this circular, he (i) has not held any other positions in the Bank or its subsidiary; (ii) has not held any other directorship or supervisorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years; (iii) does not have any other major appointments and professional qualifications; (iv) does not have any relationship with any Directors, Supervisors, senior management or substantial Shareholders of the Bank; and (v) does not have any interest in the shares of the Bank which are within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed in this circular, there are no other matters in relation to the proposed appointment of each of Mr. Li, Mr. Liang and Mr. Suo as a Director that need to be brought to the attention of the Shareholders or any other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

3. Resignation of Mr. WANG Liyan as an Independent Non-executive Director

Reference is made to the announcement of the Bank dated November 15, 2024 regarding, among others, the proposed resignation of Mr. WANG Liyan (“**Mr. Wang**”) as an independent non-executive Director. According to Article 152 of the Articles of Association, an independent non-executive Director shall cumulatively serve a term of at most six years in the Bank. Mr. Wang has tendered his resignation as an independent non-executive Director, the chairperson of the Audit Committee, the vice chairperson of the Consumer Rights Protection Committee, and a member of the Related Parties Transactions Control Committee of the Board, due to the fact that he has served as an independent non-executive Director for a term of six years. The resignation of Mr. Wang as an independent non-executive Director is still subject to the approval by the Shareholders at the EGM. Since the resignation of Mr. Wang will result in the number of the independent non-executive Directors falling below the minimum number required by the Articles of Association, pursuant to the requirements of the Articles of Association, Mr. Wang will continue to perform his duties as an independent non-executive Director and the chairperson/vice chairperson/member of special committees under the Board, until the appointment of a new independent non-executive Director is approved by the Shareholders at a general meeting and his/her qualification of directorship is approved by Shanxi Supervision Bureau.

Mr. Wang has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the Shareholders and the Hong Kong Stock Exchange. Mr. Wang has also confirmed that he does not have any action or claim, existing or pending, against the Bank.

4. Determination of the Write-off Amount for Non-performing Assets (Including Credit Assets and Non-credit Assets) for 2025

On November 15, 2024, the Board resolved to submit to the Shareholders for their consideration and approval of a plan on the amount of non-performing assets (including credit assets and non-credit assets) written off for 2025 as follows:

The Bank’s write-off amount for 2025 will be RMB1.5 billion (including disposal losses amount).

III. THE EGM

The EGM will 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, to consider and, if thought fit, approve the resolutions relating to the matters set out in the notice of the EGM. The proxy form is enclosed with this circular and has been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.jshbank.com). The notice of the EGM is set out on pages 62 to 64 of this circular.

LETTER FROM THE BOARD

The Bank's register of members of H Shares will be closed from Friday, December 20, 2024 to Friday, December 27, 2024 (both days inclusive), during which no transfer of H Shares will be effected. The Shareholder(s) whose name(s) appear(s) in the Bank's register of members as at the close of business on Thursday, December 19, 2024 shall be entitled to attend and vote at the EGM. Shareholders of H Shares who intend to attend and vote at the EGM shall deliver all transfer document(s) together with relevant share certificates and other appropriate document(s) to the 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 Thursday, December 19, 2024.

If the instrument appointing the proxy is signed by a person authorized by the appointer, the power of attorney or other authorization documents under which the instrument is signed must be notarized and shall be deposited together and at the same time with the instrument appointing the proxy. To be valid, the proxy form together with a notarially certified copy of the power of attorney or other authorization document(s) must be delivered to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the Shareholders of H Shares) or the office of the Board of Directors at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (for the Shareholders of Domestic Shares) not later than 24 hours before the scheduled time for the commencement of the EGM (i.e. 10:00 a.m. on Thursday, December 26, 2024) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, only in such event, the instrument appointing a proxy will be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all resolutions at the EGM will be voted by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands). The voting results will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.jshbank.com) in accordance with Rule 13.39(5) of the Hong Kong Listing Rules.

IV. RECOMMENDATIONS

Non-connected Directors (including all independent non-executive Directors) are of the opinion that 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 are fair and reasonable, and have been entered into in the ordinary and usual course of business of the Bank on normal commercial terms, which are in the interests of the Bank and the Shareholders as a whole. Therefore, the non-connected Directors (including all independent non-executive Directors) recommend all the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

The Board (including independent non-executive Directors) is of the opinion that all resolutions proposed at the EGM are in the interests of the Bank and the Shareholders as a whole. Thus, the Board recommends that the Shareholders should vote in favor of all the relevant resolutions proposed at the EGM (if applicable).

V. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I and II to this circular.

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

Taiyuan, December 5, 2024

* *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.*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders in connection with 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 the purpose of inclusion in this circular.



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)

To the Independent Shareholders of Jinshang Bank Co., Ltd.

December 5, 2024

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Bank dated December 5, 2024, of which this letter forms a part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in this circular.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on, whether the terms of the Renewed Huaneng Framework Agreement are fair and reasonable and 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 are on normal commercial terms and in the ordinary and usual course of business of the Bank and are in the interests of the Bank and the Shareholders as a whole.

In addition, Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to (i) the Letter from the Independent Financial Adviser as set out on pages 27 to 48 of this circular; (ii) the Letter from the Board on pages 5 to 24 of this circular; and (iii) the additional information set out in Appendix I to this circular.

Having taken into account, among other things, the information set out in the letter from the Board, and the principal factors, reasons and recommendations set out in the letter from the Independent Financial Adviser contained in this circular, we are of the opinion that the terms of the Renewed Huaneng Framework Agreement are fair and reasonable and the entering into the Renewed Huaneng Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2025, 2026 and 2027 are on normal commercial terms and are in the ordinary and usual course of business of the Bank and are in the interests of the Bank and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve 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.

Yours faithfully,

For and on behalf of the Independent Board Committee

Jinshang Bank Co., Ltd.

Mr. WANG Liyan

Independent non-executive

Director

Mr. DUAN Qingshan

Independent non-executive

Director

Mr. SAI Zhiyi

Independent non-executive

Director

Ms. HU Zhihong

Independent non-executive

Director

Mr. CHAN Ngai Sang Kenny

Independent non-executive

Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Huaneng Framework Agreement.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

5 December 2024

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in connection with the Renewed Huaneng Framework Agreement and the proposed annual caps (the “**Transactions**”). Details of the Transactions are set out in the letter from the Board contained in the circular of the Bank (alternatively referred to as the “**Company**”) to its shareholders dated 5 December 2024 (the “**Circular**”), of which this letter form part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

In light of the impending expiration of the New Huaneng Framework Agreement on 31 December 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, 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.

As at the Latest Practicable Date, Huaneng Capital is the substantial Shareholder of the Bank and hold approximately 10.28% in the total issued share capital of the Bank. Therefore, according to Chapter 14A of the Hong Kong Listing Rules, Huaneng Capital and its associates are connected persons of the Bank. The entering into of the Renewed Huaneng Framework Agreement with Huaneng Capital and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi, Ms. HU Zhihong and Mr. CHAN Ngai Sang Kenny, has been established to advise the Independent Shareholders on the Transactions. We, Somerley Capital Limited, have been appointed by the Bank as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Transactions.

We are not associated or connected with the Bank, Huaneng Capital or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable by the Bank to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Bank, Huaneng Capital or their respective substantial shareholders or associates. In the two years prior to this appointment, we did not have other engagement with the Bank or its associates. Therefore, we are eligible to act as independent financial adviser for the Transactions.

In formulating our advice and recommendation, we have reviewed information on the Bank, including but not limited to, the Renewed Huaneng Framework Agreement, annual reports of the Bank for the year ended 31 December 2022 (“FY2022”) (“**2022 Annual Report**”), annual report for the year ended 31 December 2023 (“FY2023”) (“**2023 Annual Report**”), interim report for the six months ended 30 June 2024 (“1H2024”) (“**2024 Interim Report**”) and other information contained in the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed by the Directors and management of the Bank (collectively, the “**Management**”), which we have assumed to be true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete in all material aspects up to the date of the extraordinary general meeting. We have also sought and received confirmation from the Bank that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy or completeness of the information provided to us. We have not, however, conducted any independent investigation into the businesses and affairs of the Group or Huaneng Capital, nor have we carried out any independent verification of the information supplied.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Transactions, we have considered the following principal factors and reasons:

1. Information on the Group

1.1 Background information of the Bank

The Bank was listed on the Mainboard of the Stock Exchange in 2019. As disclosed in the letter from the Board of the Circular, 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.

1.2 Financial performance of the Group

Set out below is a summary of the Group's audited consolidated financial performance for the three years ended 31 December 2021 ("FY2021"), FY2022 and FY2023 as extracted from the 2022 Annual Report and the 2023 Annual Report and the unaudited consolidated financial information of the Group for the six months ended 30 June 2023 ("1H2023") and 1H2024 as extracted from the 2024 Interim Report:

	For the six months ended		For the year ended		
	30 June		31 December		
	2024	2023	2023	2022	2021
	Millions of	Millions of	Millions of	Millions of	Millions of
	RMB	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Interest income	5,997.3	5,718.4	11,614.9	10,728.8	10,358.5
Interest expense	(3,778.5)	(3,690.1)	(7,378.7)	(7,135.8)	(6,804.5)
Net interest income	2,218.8	2,028.3	4,236.2	3,593.0	3,554.0
Fee and commission income	331.3	433.3	860.9	937.2	937.6
Fee and commission expense	(40.9)	(74.4)	(158.0)	(203.2)	(172.2)
Net fee and commission income	290.4	358.9	702.9	734.0	765.4
Net trading gains	(98.9)	172.2	(78.5)	(32.5)	301.5
Net gains arising from investment securities	352.5	250.7	887.0	917.6	757.8
Other operating income	23.9	24.6	54.6	48.1	12.0
Operating income	2,786.7	2,834.7	5,802.2	5,260.2	5,390.7

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	For the six months ended		For the year ended		
	30 June		31 December		
	2024	2023	2023	2022	2021
<i>Millions of</i>	<i>Millions of</i>	<i>Millions of</i>	<i>Millions of</i>	<i>Millions of</i>	<i>Millions of</i>
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Operating expenses	(920.4)	(950.3)	(2,348.4)	(2,186.7)	(2,070.5)
Impairment losses on credit	(808.2)	(859.5)	(1,432.0)	(1,237.9)	(1,652.9)
Impairment losses on other assets	(24.5)	–	–	–	–
Share of profits of associate	13.0	16.1	12.1	20.7	24.5
Profit before tax	1,046.6	1,041.0	2,033.9	1,856.3	1,691.8
Net profit attributable to					
shareholders of the Bank	1,030.4	1,034.2	2,002.9	1,838.4	1,685.6
Basic and diluted earnings per					
share (in RMB)	0.18	0.18	0.34	0.31	0.29

Note 1: The figures above are subject to rounding adjustments.

FY2022 vs FY2021

Operating income remained comparable for FY2022 as compared to FY2021 with a slight decline of approximately 2.42%. This change is mainly due to the net trading gains of approximately RMB301.5 million for FY2021 as compared to net trading losses of approximately RMB32.5 million for FY2022. We note net interest income reported by the Bank in FY2022 was stable at approximately RMB3,593.0 million, which represented an increase of approximately 1.10% from RMB3,554.0 million reported for FY2021.

Net profit attributable to shareholders of the Bank increased by approximately 9.07% mainly due to decrease in impairment losses on credit recognised for FY2022 as compared to FY2021. This decrease is mainly due to the decrease in credit impairment losses on credit commitments of internet loans in off-balance sheet credit commitments and bank acceptance bill commitments.

FY2023 vs FY2022

Operating income for FY2023 increased by approximately 10.30% as compared to FY2022. This increase was mainly due to the increase in net interest income reported for the year. We note net interest income increased by approximately 17.90% in FY2023 as compared to that of FY2022. The increase in net interest income was partially offset by the decrease in net fee and commission income of approximately 4.24%. The growth in net interest income is mainly a result from growth in average balance of loans and advances to customers throughout FY2023 as compared to FY2022 which yielded a higher interest income return. As disclosed in the 2023 Annual Report, the decrease in net fee and commission income was mainly a result of decrease in acceptance and guarantee service fees reported for FY2023 and decrease in agency service fees and other fees received for FY2023.

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Net profit attributable to shareholders of the Bank for FY2023 increased by approximately 8.95% mainly in line with the increase in operating income.

1H2024 vs 1H2023

Compared to 1H2023, operating income for 1H2024 was approximately RMB2,786.7 million, minor decrease by around 1.69%. This is mainly due to the significant decrease in net fee and commission income reported of approximately 19.09% reported during the period despite an increase in net interest income of approximately 9.39%. We note the decrease in net fee and commission income is mainly a result of decreases in bank and service fees income, settlement and clearing fees income and agency service fees and other fees income reported during the period.

Net profit attributable to shareholders of the Bank remained relatively unchanged at approximately RMB1,030.4 million mainly a result of decrease in operating expenses and impairment losses on credit reported during 1H2024 despite the recognition of impairment loss on other assets.

1.3 Financial position of the Group

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2023 and 30 June 2024, as extracted from the 2024 Interim Report:

	30 June 2024	31 December 2023
	<i>Millions of RMB</i>	<i>Millions of RMB</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS		
Loans and advances to customers	195,681.9	185,609.7
Financial investments	99,572.7	90,815.4
Other assets	75,608.5	84,879.9
Total Assets	370,863.1	361,305.0
LIABILITIES	345,557.2	336,492.2
EQUITY		
Total equity attributable to equity holders of the Bank	25,290.8	24,796.6
Non-controlling interests	15.2	16.2
Total Equity	25,305.9	24,812.8

Note 1: The figures above are subject to rounding adjustments.

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Total assets of the Group increased by approximately 2.65% between 31 December 2023 and 30 June 2024. The increase in total assets was mainly due to the increase in loans and advances to customers during the period. Total liabilities of the Group as at 30 June 2024 increased by approximately 2.69%. Total equity attributable to equity holders of the Bank was approximately RMB25,290.8 million as at 30 June 2024.

2. Information on 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. Please refer to the section headed "(5). Parties to the Renewed Huaneng Framework Agreement" in the letter from the Board of the Circular for further information on Huaneng Capital.

3. Background of and reasons for the Transactions

As disclosed in the letter from the Board in the Circular, in the ordinary and usual course of business, the Group 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 Group's participation in two new 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 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 App Services**"). The Original Huaneng Framework Agreement and the Huaneng Framework Supplemental Agreement are valid until December 31, 2021, unless terminated earlier in accordance with the terms thereunder.

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

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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.

According to the Management, for the purpose of carrying out the Bank's wealth management business in the ordinary and usual course, the Bank constantly reviews its investment portfolio with reference to market condition, customers' appetites and the Bank's business needs and according to the Bank's investment guidelines, from time to time identifies the potential investment schemes issued by selecting qualified asset management companies which include but not limited to, Great Wall Securities Asset Management Schemes, Huaneng Guicheng Trust Schemes, IGWFM Schemes and GWFM Schemes, based on selection criteria such as credentials of such asset management companies, background of investment managers, historical track records and forecasted investment returns.

It is estimated that by the end of 2024, the Bank will retain around RMB1 billion in the asset management plan issued by Great Wall Securities. This business is to continue to operate into 2026.

As provided by the Management, the annualised rate of return of the Bank's investment in Great Wall Securities between 2021 (commencement of the investment) and 31 August 2024 was 4.77%. We understand from the Management that this return is considered to be reasonable and overall better than the level of investments made by the Bank with independent third parties. Historically, the Bank has maintained a good relationship with Huaneng Capital and going forward, the Bank expects to continue such relationship for the next three years.

As discussed in the section headed "1.2 Financial performance of the Group" above, it is the ordinary and usual course of business of the Bank to provide, amongst others, fee- and commission-based products and services including entrusted loans, settlement services and fund products consignment services. The Bank has provided the aforesaid services to Huaneng Capital under normal and usual course of business since 2018. The fees and commissions received by the Bank pursuant to the Renewed Huaneng Framework Agreement have been consistently contributing to the Bank's fee and commission income of around 1% between 2021 and 2023 and is considered one of the stable sources of income to the Bank. As such, it is considered beneficial for the Bank to maintain such relationship with Huaneng Capital.

Based on our discussions with the Bank, the Bank introduced its own online banking platform targeting to provide online banking customers of the Bank financial services such as deposits and wealth management. Such online banking platform was also a crucial channel of business acting as an alternative to the Bank's mainstream traditional means of business (i.e. physical banking). As part of the Bank's online banking platform businesses, the Bank cooperates with Yuncheng App Services' platform to promote some fund products, and is looking to continue the existing business cooperation.

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As further discussed with the Management, we note that the transactions contemplated under the Renewed Huaneng Framework Agreement does not obligate the Bank to enter into any transactions with Huaneng Capital, but rather, it forms as an option for the Bank should the investment or business alliance be seen as fair and reasonable to the overall benefits of the Group.

In light of the factors outlined above, we consider the reasons for entering into the Renewed Huaneng Framework Agreement to be in the interests of the Bank and its Independent Shareholders.

4. Principal terms of the Renewed Huaneng Framework Agreement

As disclosed in the letter from the Board in the Circular, principal terms of the Renewed Huaneng Framework Agreement are:

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, which is Yuncheng App Services.
Term:	From January 1, 2025 to December 31, 2027

As outlined in the Letter from the Board in the Circular, the principal terms of Great Wall Securities Asset Management Schemes are set out as follows:

- Great Wall Securities shall independently operate and manage the assets in accordance with the terms and conditions of the asset management schemes subject to the supervision of the asset custodian;
- the historical annualized return on investment of the assets management schemes ranges from 1.3% to 4.8%, the management fee rate ranges from 0.05% to 0.2% and the annual custody fee rate payable by the Bank to the asset custodian ranges from 0.01% to 0.05%;

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- the term of such asset management schemes may range from six months to three years; and
- Great Wall Securities shall issue and publish asset management reports about the portfolio of the investment assets, net value of the assets, fees and investment return in accordance with the asset management schemes.

The principal terms of Huaneng Guicheng Trust Schemes are set out as follows:

- Huaneng Guicheng Trust shall, in its own name, manage, utilize or dispose the trust property in the interest of the Bank;
- the annual trust remuneration and the annual management fee payable to the trustee shall be calculated according to the formula as provided in the relevant trust agreement at a minimum rate of 0.3% and 0.1% respectively, and the annual custody fee rate payable by the Bank to the trust custodian is 0.01%;
- the term of such trust schemes is 36 months; and
- Huaneng Guicheng Trust shall provide the Bank information relevant to the trust schemes, including but not limited to notice of establishment of trust plan, trust property management report, trust property utilization and return report.

The principal terms of IGWFM Schemes are set out as follows:

- the IGWFM Schemes are operated by IGWFM as the manager which is responsible for the operation of the funds;
- the annual management fee payable to the manager shall be calculated in accordance with the formula as provided in the relevant funds agreement at an approximate rate of 1.0% based on the issued products by IGWFM; and
- the term of such funds management schemes is for an indefinite period and is subject to subscription/redemption at any time based on changes in the net asset value of the funds.

The principal terms of GWFM Schemes are set out as follows:

- the GWFM Schemes are operated by GWFM as the manager which is responsible for the operation of the funds;
- the annual management fee payable to the manager shall be calculated in accordance with the formula as provided in the relevant funds agreement at an approximate rate of 1.0% based on the issued products by GWFM; and
- the term of such funds management schemes is for an indefinite period and is subject to subscription/redemption at any time based on changes in the net asset value of the funds.

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Based on the disclosures in the letter from the Board in the Circular, pricing of the transactions contemplated under the Renewed Huaneng Framework Agreement are as follows:

- 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 payable by the Bank are applicable to all investors participating in such plans equally and evenly, including the Group 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) which raise capitals from the public and 80% of funds assets are invested in bonds. In connection with Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes, a performance fee on the amount exceeding the expected return of investments will be charged and the rate of performance fee is at the prevailing market rate based on arm's length negotiation and is no less favourable than those offered by independent third parties.
- The fees and commissions of the fee- and commission-based products and services to be offered to Huaneng Capital and its associates are charged by the Bank at a certain rate which is also applicable to independent counterparties. The fee- and commission-based products and services to be provided by the Bank to Huaneng Capital and its associates mainly include entrusted loans, settlement services and fund products consignment services, the pricing policies of which are set out below.
- 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. The Price Guidance was established by the Bank in accordance with the Price Law of the People's Republic of China (《中華人民共和國價格法》) and the Measures for the Administration of Service Prices of Commercial Banks (《商業銀行服務價格管理辦法》) and taking into account of the actual situation of the Bank's business operations, which has also been published on the website of the Bank.
- 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 Guideline and a number of factors, including the counterparties' credit rating, maturity, face value of the bill of exchange or note, 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.

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- 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 and services to be provided by Huaneng Capital and/or its associates (i.e. the Yuncheng App Services), the Bank shall pay a service fee, based on a fixed fee rate of 0.06% to Yuncheng Financial Service. Huaneng Capital is charging their clients at a rate ranging between 0.06%-0.27% of similar business using Yuncheng App Services. Therefore, the rate charged to the Bank is not higher than those offered to independent third parties by Yuncheng Financial Service.

(a) Pricing terms for investment amount

As disclosed in the Circular, 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 are applicable to all investors participating in such plans equally and evenly, including the Group and any other independent third party investor participants.

In this respect, we have conducted the following reviews:

- Great Wall Securities Asset Management Schemes* – we have obtained the agreement with Huaneng Capital and noted that the schemes have been offered with are considered as fixed income products with a requirement of not less than 80% assets under the portfolio relating to fixed income and money market related investments with payment structure involving management fee and performance fee. We have also obtained (i) 4 samples of public bond funds published fee schedules; and (ii) 8 investment agreements entered into with independent third parties with similar investment nature (i.e. not less than 80% assets under the portfolio relating to fixed income products and money market related investments). Based on the information provided, we noted that the Great Wall Securities Asset Management Schemes offered similar or better terms to the Bank comparing with those of public bond funds and other independent third parties' agreements including but not limited to the management fee rates, performance fee rates and the expected return;
- Huaneng Guicheng Trust Schemes* – we have obtained the agreement with Huaneng Capital and noted that the schemes are primarily focused on fixed income and money market related investments involving payment of remuneration based on the asset value under management but no performance fee. We have obtained an independent third party agreement on schemes with similar investment nature (i.e. primarily focusing on fixed income and money market related investments) and noted that the Huaneng Guicheng Trust Schemes offered better terms to the Bank comparing with those available from the independent third party's agreement; and

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- (iii) *For IGWFM Schemes and GWFM Schemes* – based on our understanding from the Bank, these schemes are available for public subscriptions online and all investors are offered identical terms. We have observed from the websites of IGWFM and GWFM and we noted that same terms apply to all investors including the Bank.

Based on the above sample selection criteria and basis, we consider the samples reviewed to be representative and sufficient to form our opinion. As such, we consider the terms of the investments, including pricing of fees charged, are in line with market practice.

(b) *Pricing terms for fees and commissions receivable by the Bank*

As mentioned above, fees and commissions of the fee- and commission-based products and services to be offered to Huaneng Capital and its associates are in accordance with fee standards of the Bank and such standards apply to all customers of the Bank.

In this regard, we have obtained the Price Guidance of the Bank including the fee schedule, sample agreements and/or invoices for services provided by the Bank to Huaneng Capital based on the full list of fees and commissions receivable by the Bank from January 2022 and up to September 2024 with samples covering at least 1 transaction from each of the entrusted lending business, settlement services and fund products consignment services categories:

- (i) *Entrusted lending business* – based on the Price Guidance, higher rates would be charged for entrusted loan with a size of RMB100 million below and lower rates would be charged for entrusted loan with a size of RMB100 million above. We further understand that the Bank historically only conducted entrusted lending business of loan size more than RMB100 million with Huaneng Capital whilst the entrusted loan business of size below RMB100 million has only been conducted with independent third parties. In this respect, we have obtained 3 entrusted lending agreements with a size between around RMB1.25 billion and around RMB1.5 billion entered into between the Bank and Huaneng Capital. We consider this sample selection to be fair and reasonable because the annual handling fee generated from this agreement represented 100% to total entrusted lending handling fee received from Huaneng Capital for each of the 3 years between 2022 and 2024. Based on the sample agreements, we noted that the handling fee charged by the Bank from Huaneng Capital is in line with the Price Guidance;
- (ii) *Settlement services* – a fixed price per transaction would be charged based on the Price Guidance. In light of this, we have obtained 3 sample invoices between the Bank and Huaneng Capital from each of FY2022 to FY2024 and corresponding sample invoices between the Bank and independent third parties for transactions of the same nature, we noted that the fee charged by the Bank to Huaneng Capital are identical to the fee charged by the Bank to independent third parties and in line with the Price Guidance;

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- (iii) *Fund products consignment services* – we understand there is a total of 2 consignment services agreements entered into between the Bank and Huaneng Capital. We have obtained both agreements and noted the pricing terms, including the rates of subscription and redemption charges are in line with the terms of comparable agreements entered into between the Bank and independent third parties for transactions of the same nature.

Considering the above, we consider the pricing terms for fees and commissions receivable by the Bank to be reasonable and in line with the market. Further, based on the above sample selection criteria and basis, we consider our sample size representative and sufficient for assessment purpose.

(c) Pricing terms for fees payable by the Bank

The Bank markets and sells certain products on the Yuncheng App developed and managed by Yuncheng Financial Service, an associate of Huaneng Capital. In connection with the products sold through the Yuncheng App, the Group shall pay a service fee, based on a fixed fee rate, of 0.06%, to Yuncheng Financial Service as marketing fee. As disclosed in the Circular, in connection with the Yuncheng App Services paid by the Bank to Yuncheng Financial Service, the fee rate is determined with pricing standards no higher than those of third-party by comparing factors such as independent third-party prices.

We have obtained the agreement entered into between the Bank and Huaneng Capital and noted that a 0.06% fee rate would be charged in relation to the platform usage. We have further discussed with the Bank and understood that Huaneng Capital is charging their clients service fee ranging between 0.06%-0.27% of similar investments made through the Yuncheng App. Therefore, we consider the rate charged by Huaneng Capital to the Bank in line with the market.

Having considered the above, we are of the view that the principal terms including the pricing, of the transactions under the Renewed Huaneng Framework Agreement are on normal commercial terms and are fair and reasonable.

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5. Historical transaction amounts and proposed annual caps

The following table sets forth the maximum investment amount, return of investment, management fees and/or remuneration (including performance fees on the amount exceeding the return of investments) paid by the Bank, and fees and commissions received from/paid to Huaneng Capital and its associates during the following years/period.

	Actual amounts for the years ended December 31,		Actual amounts for the six months ended June 30, 2024	Actual amounts for the nine months ended September 30, 2024	Approved annual cap for the year ending December 31, 2024
	2022	2023			
<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 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 following table sets forth the proposed annual caps for years ending 31 December 2025, 2026 and 2027 (“FY2025”, “FY2026”, and “FY2027” respectively) on the (i) investment amount, (ii) return of investment, (iii) management fees and/or remuneration (including performance fees on the amount exceeding the expected return of investments) paid by the Bank, and (iv) fees and commissions receivable from/payable by the Bank to Huaneng Capital and its associates under the Renewed Huaneng Framework Agreement:

	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 payable by the Bank	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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual cap for investment amount

Based on our discussion with the Management, we understand that the Bank has only made investments in Great Wall Securities Asset Management Schemes in FY2022, FY2023 and up to and including 30 September 2024. As disclosed in the Letter from the Board to the Circular, in relation to funds management schemes, the Bank proposes to invest in funds with investments in schemes that include no less than 80% debts and money market funds management schemes. As shown in the historical transaction amounts table presented above, the transacted investment amount has shown a decreasing trend since FY2022, which decreased by around 32.9% in FY2023 and represented a decrease by around 36.7% for the year ending 31 December 2024 (“FY2024”) from the annualised transaction amount for FY2024 of approximately RMB813.74 million calculated based on the transacted investment amount for the first 9 months of 2024. Accordingly, the utilisation of the existing annual caps for FY2022 and FY2023 were approximately 19% and 10% respectively and the expected utilisation rate of the annual cap for FY2024 is approximately 6%. The aforesaid decreasing trend of the transacted investment amount and the relatively low utilisation of the approved annual caps, according to the Management, were mainly due to changes in regulatory environment, leading to difficulties in investments to be made in accordance with the original schedule.

We have discussed and understand from Management that, in determining the proposed annual caps for FY2025, FY2026 and FY2027, the Bank has made reference to the historical investment amounts and has applied a significant discount in its estimation of proposed investment amount for each of FY2025 and FY2026 to reflect the regulatory changes and its investment plans in response to such changes. As provided by the Bank, the Bank intends to gradually reduce its investments in the assets management schemes, collective trust schemes and funds management schemes in accordance with the Bank’s business operations and risk management by an annualized rate of 30%, and it is expected that the Bank will discontinue such investments in 2027.

We note that the proposed annual cap for investment amount in FY2025 represents a reduction of around 85.65% as compared to the approved annual cap for FY2024, whilst represents an increase of around 145.8% from the annualised transaction amount for FY2024 of approximately RMB813.74 million calculated based on the investment amount for the first 9 months of 2024 (“9M2024”). We also note from the composition of the FY2025 annual cap for the investment amount that investment amount in the Great Wall Securities Asset Management Schemes represents the largest portion of around 70% of the total cap amount, and such amount also represents an increase of around 58.1% from the corresponding annualised investment amount for FY2024. In this regard, we have discussed with and understand from the Management that it is the Bank’s intention to continue to participate, and the Bank may, from time to time, and as appropriate, increase its investment in the Great Wall Securities Asset Management Schemes in view of the historical competitive returns generated from such investments comparing with those invested with independent third parties, nevertheless bearing in mind the aforementioned regulatory changes and investment plans in response to the changes. As disclosed in the

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2022 Annual Report and the 2023 Annual Report and based on our understanding from the Bank, the Bank did not invest in the Huaneng Guicheng Trust Schemes, the IGWFM Schemes and the GEFM Schemes in FY2022, FY2023 and up to and including 31 October 2024. As provided by the Management, the portions of RMB200 million of the annual caps for each of the Huaneng Guicheng Trust Schemes, the IGWFM Schemes and the GEFM Schemes were arrived at after considering that despite the Bank did not invest in any of the above products in recent years, however, the above three institutions are in leading positions in their respective industries and the Bank would nevertheless plan to maintain the cooperation. Furthermore, as at 30 September 2024, the average size of the products invested by the Bank in 16 securities, funds, and trust companies was close to RMB1 billion. Hence, the annual cap of RMB200 million is a prudent estimation of proposed investment. Normally speaking, it is the Bank's risk control policy to limit amounts invested with new cooperative institutions not to exceed 20% of the average size of the partner institutions.

To ascertain the fairness and reasonableness of the proposed annual cap, we have also reviewed the historical growth in wealth management product investments held by the Bank for its wealth management business. With reference to the Bank's published annual reports, we note that the average annual growth rate of wealth management product investment held by the Bank on behalf of clients was approximately 12.8% between the financial year ended 31 December 2019 and FY2023. Based on the 2024 Interim Report, the Bank held approximately RMB46,971.4 million investment in financial management products as part of its wealth management business. We noted the FY2025 annual cap of approximately RMB2,000 million with Huaneng Capital represents only approximately 4.26% of such balance and is considered to be immaterial relative to the Bank's total investments in wealth management products. Given the investment in the Great Wall Securities Asset Management Schemes historically represented 100% of total investments with Huaneng Capital and the immaterial size of the investments with Huaneng Capital under the continuing connected transactions as compared to the Bank's total investments in wealth management products, we consider the proposed annual cap for FY2025 in which 70% attributable to the Great Wall Securities Asset Management Schemes is not excessive.

In light of the above and the fact that the proposed annual caps for the investment amount under the Renewed Huaneng Framework Agreement represents only the maximum investable amount and the Bank is not obligated to make such investments unless such investments are meeting its needs and requirements, we consider the annual cap for FY2025 under this category to be not unreasonable.

We note the Bank has factored in a further reduction in annual cap for investment amount proposed for FY2026. In light of the reasons discussed above, we consider a reduction in proposed amount to be invested in financial products issued by Huaneng Capital to also be prudent and not unreasonable.

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As disclosed in the letter from the Board in the Circular, the Bank has no plans to invest in Great Wall Securities Asset Management Schemes, the Huaneng Guicheng Trust Schemes, IGWFM Schemes and the GWFM Schemes from 2027 due to business decisions to reduce its wealth management business. The proposed annual cap for FY2027 is set to be zero.

Considering the (i) historical downward investment trend and (ii) annualised transaction amount of 2024 of approximately RMB813.74 million with Huaneng Capital contributed less than 2% to the outstanding balance of the non-principal guaranteed wealth management products issued by the Group of approximately RMB46,971.4 million as at 30 June 2024 as disclosed in the 2024 Interim Report, we consider the business decision of gradual investment reduction with Huaneng Capital to zero in FY2027 not unreasonable.

Proposed annual cap for return of investment

We have discussed and understand from the Management that the determination of return of investment was derived with reference to (i) historical annualised rate of investments return generated from with Huaneng Capital between 2021 and 31 August 2024, which was approximately 4.77%; and (ii) total investment amount as discussed above. Based on the discussion with the Management, it is our understanding that the Company has adopted a rate of 4.0% on the respective projected annual investment amount when determining the proposed annual cap for return of investment for each of FY2025 and FY2026.

We concur with the Management that historical returns may not represent future return on investments and the recent uncertain market conditions and developments may also significantly impact investments returns. As such, given the 4.77% historical annualised return on the Bank's investment portfolio with Huaneng Capital was primarily in relation to the investment from the Great Wall Securities Asset Management Schemes, which represents 100% of total investments over the last three years and 70% to the proposed annual caps for FY2025 and FY2026, we would therefore consider the use of 4.0% return rate for the estimation of annual cap for each of FY2025 and FY2026 to be prudent.

Proposed annual cap for management fees and/or remuneration paid by the Bank

We have discussed and understand from the Management that fee rates adopted for determination of annual cap for management fees or remuneration were primarily with reference to the (i) fee schedule of the Great Wall Securities Asset Management Schemes considering the Bank's historical utilisation and proposed annual caps determination are mainly related to the Great Wall Securities Asset Management Schemes; and (ii) total investment amount as discussed above.

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Based on the discussion with the Management, it is our understanding that fees consisted of (i) 0.1% management fee on the total investment (determined with reference to recent reduction of fixed management fee from 0.15% to 0.05%); and (ii) 20% performance fee on the amount exceeding the expected return of the investments. We understand the Bank has assumed 1% as the amount exceeding the expected return of the investments considering that the historical annual rate of return from investments made with Huaneng Capital between 2021 and 31 August 2024 was approximately 4.77% and the benchmark return for the funds invested with Huaneng Capital was agreed with Huaneng Capital at 3.20%. Given the historical average performance of investments made with Huaneng Capital was around 1.57% higher than the benchmark return, we consider the use of 1% as the estimated amount exceeding the expected return of the investments a reasonable reference.

In this respect, based on the management fee and performance fee rates as discussed, we consider the aforesaid annual caps for each of FY2025 and FY2026 to be reasonable.

Proposed annual cap for fees and commissions receivable by the Bank

As shown in the historical transaction amounts table above, the transacted amount decreased by around 38.4% between FY2022 and FY2023 and such amount of FY2023 was comparable to FY2024 annualised transaction amount of approximately RMB4.1 million based on the transacted amount for 9M2024. Accordingly, the utilisation of the existing annual caps for FY2022 and FY2023 were approximately 31.8% and 15.2% respectively and the expected utilisation rate of the annual cap for FY2024 is approximately 12.7%. The aforesaid decreasing trend of the transacted investment amount and the relatively low utilisation of the approved annual caps, according to the Management, were mainly due to (i) regulatory restrictions on the scale of financial management and the reduction in risk appetite within the Bank, and the Bank's related investments have declined compared with the previous period, resulting in a corresponding decrease in intermediary business income; and (ii) the adjustment of the debt capital market, fluctuations in the performance of the Bank's holdings of wealth management products was magnified in 2024 which affected returns provided to investors and given the risk appetite of financial investors is generally low, redemption levels has been increasing which has led to the ultimate reduction in capital available for reinvestment and hence corresponding decrease in related investment and intermediary business income reported by the Bank.

We have discussed and understand from the Management that the proposed annual caps in relation to the fees and commissions receivable by the Bank for FY2025, FY2026 and FY2027 is predominantly comprised of fees and commissions on entrusted lending business provided by the Bank to Huaneng Capital as part of its ordinary and usual course of business. We note that the expected fees and commissions receivable from Huaneng Capital was estimated based on (i) expected amount of entrusted loans to be granted to third parties by Huaneng Capital through the Bank for the next three financial years; and (ii) 0.1% fees of the expected amount of entrusted loans to be granted to third parties by

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Huaneng Capital through the Bank. We further note that considering the fees and commissions received by the Bank from Huaneng Capital for services and products provided in FY2022 and FY2023 having utilised only approximately 32% and 15% respectively of annual caps set for the respective year, the Management has also considered and factored in a significant discount in the proposed annual cap for FY2025 which represents a decrease of approximately 77.13% as compared to the current annual cap of FY2024. However, the proposed FY2025 annual cap represents an increase of around 79.5% from the annualised transaction amount for FY2024 of approximately RMB4,128.5 million based on the transacted amount for 9M2024.

As discussed in the paragraph above, the fees and commissions receivable by the Bank for FY2025 were determined with reference to the estimated entrusted lending amount to be entered into with Huaneng Capital for FY2025. Such estimation was derived based on (i) intention provided by Huaneng Capital of lending not less than approximately RMB4,120 million between each of FY2025, FY2026 and FY2027, being similar to the average of the historical transacted amount of FY2022, FY2023 and FY2024 (annualised), representing around 56% to the proposed annual caps for each of FY2025, FY2026 and FY2027; and (ii) ongoing discussions with subsidiaries of Huaneng Capital for additional entrusted loan services. Based on the information published on the website of the People's Bank of China, the 1-year loan prime rate was reduced from 3.65% in January 2023 to 3.1% in October 2024. As such, it is considered reasonable for the Bank to reserve partial annual caps to cater for the potential increment in additional loan services from Huaneng Capital given the recent significant drop in interest rate.

While the annual caps for fees and commissions receivable by the Bank are relating to transactions that are income-generating to the Bank, the buffer will provide flexibility for the Bank to enjoy additional income as a result of possible unforeseeable increase in transaction amount due to one-off and/or occasional event(s) and/or any sudden change in economic, financial and business environment, and mitigate the burden of the Bank to bear additional time and costs to conduct revision of the relevant annual caps.

Further, we note the Bank has not factored in any increases in annual caps relating to fees and commissions receivable by the Bank for FY2026 and FY2027. We consider this approach of this methodology to be prudent.

Proposed annual cap for fees payable by the Bank

We have discussed and understand from the Management that the fees payable by the Bank are in relation to the products and services provided by Huaneng Capital and its associates to the Bank, which include the Yuncheng payment (being platform service fee and payment handling fee, based on a fixed fee rates, to be paid by the Bank to Yuncheng Financial Service in relation to the Bank's fund products on a mobile application developed and managed by Yuncheng Financial Service.

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We have reviewed and noted that the Bank has reported no transactions with Huaneng Capital under this category between FY2022 and FY2024 due to the fact that the Bank settled its Anxinfu (安鑫富) products, which were investment products offered to Internet channel customers and promoted on the mobile application of Yuncheng Financial Service, by the end of 2021 and did not promote other products for the period from 2022 to 2024 and therefore, the fees paid by the Bank to Huaneng Capital and its associates for the two years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 were zero. We understand the Management has factored in the historical transacted amount when considering the annual cap for the fees payable by the Bank for each of FY2025, FY2026 and FY2027 respectively and has, as a result, reduced the proposed annual cap from the previous RMB9 million to approximately RMB150,000 to cater for any unforeseen business needs.

We also consider business and client needs and market conditions may fluctuate from time to time and therefore, we consider the basis for determining the proposed annual cap for this category of transactions under the Renewed Huaneng Framework Agreement for FY2025, FY2026 and FY2027 to be not unreasonable.

6. Internal control procedures

As disclosed in the letter from the Board in the Circular, 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 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 our 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 our 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.

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- (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, checking the specific terms of continuing connected transactions on a quarterly basis, 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 our 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 our 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors have confirmed that the Bank's qualifications and internal control procedures can effectively guarantee the transactions between the Bank and Huaneng Capital and/or its associates to be conducted in accordance with the Renewed Huaneng 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.

We have reviewed the internal control policies above and together with the pricing policies of the Group set out in the section headed "4. Principal terms of the Renewed Huaneng Framework Agreement" and the letter from the Board in the Circular under the heading "Pricing", which include comparisons made to commission rates with independent third parties in the recent three months prior to entering into transactions with Huaneng Capital, we would consider the Group to have effective internal control procedures and the pricing policies relating to the Transactions having demonstrated the Group's practices of getting access to market information and having regular assessment on the terms of the Transactions, so as to make sure that its terms will be no less favourable (so far as the Group is concerned) than those prevailing in the market for similar transactions.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons set out above, we are of the view that that the terms of the Renewed Huaneng Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of Renewed Huaneng Framework Agreement is in the interests of the Bank and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Renewed Huaneng Framework Agreement and/or the adoption of the respective annual caps.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. SHARE CAPITAL

As at the Latest Practicable Date, the total number of issued shares of the Bank was 5,838,650,000 Shares comprising 4,868,000,000 Domestic Shares and 970,650,000 H Shares.

III. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Bank had any interest or short position in the Shares, underlying Shares and debentures of the Bank or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register of members of the Bank, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Bank and the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO shall be interpreted as if they are applicable to the Supervisors.

IV. SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, the following persons other than the Directors, Supervisors and chief executives had interests and/or short positions in the Shares and underlying Shares of the Bank which were required to be disclosed to the Bank pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept pursuant to Section 336 of the SFO are as follows:

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司) ⁽¹⁾ (“SSCO”)	Interest in controlled corporations	Domestic Shares	1,212,220,564		20.76%	24.90%
Shanxi Finance Bureau (山西省財政廳)	Beneficial owner	Domestic Shares	715,109,200		12.25%	14.69%
Huaneng Group ⁽²⁾	Interest in controlled corporations	Domestic Shares	600,000,000		10.28%	12.33%
Huaneng Capital	Beneficial owner	Domestic Shares	600,000,000		10.28%	12.33%
Taiyuan Municipal Finance Bureau (太原市財政局)	Beneficial owner	Domestic Shares	467,471,964		8.01%	9.60%
	Interest in controlled corporations	H Shares	102,400,000		1.75%	10.55%
Taiyuan State-owned Investment Group Limited (太原國有投資集團有限公司)	Beneficial owner	H Shares	102,400,000		1.75%	10.55%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司) ⁽³⁾ (“Changzhi Nanye”)	Beneficial owner	Domestic Shares	450,657,435		7.72%	9.26%
	Interest of concert parties	Domestic Shares	234,569,820		4.02%	4.82%
Mr. LI Jianming ⁽³⁾	Interest in controlled corporations/ Interest of concert parties	Domestic Shares	685,227,255		11.74%	14.08%

APPENDIX I

GENERAL INFORMATION

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Ms. WANG Yanli ⁽³⁾	Interest in controlled corporations/ Interest of concert parties	Domestic Shares	685,227,255		11.74%	14.08%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司) ⁽³⁾ (“ Changzhi Huashengyuan ”)	Beneficial owner Interest of concert parties	Domestic Shares	234,569,820		4.02%	4.82%
Lu'an Chemical Group Co., Ltd. (潞安化工集團有限公司) ⁽¹⁾	Interest in controlled corporations	Domestic Shares	450,657,435		7.72%	9.26%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限公司) ⁽¹⁾	Interest in controlled corporations	Domestic Shares	359,091,687		6.15%	7.38%
Jinneng Holdings Group Co., Ltd. (晉能控股集團有限公司) ⁽⁴⁾	Beneficial owner	Domestic Shares	359,091,687		6.15%	7.38%
Jinneng Holding Power Group Co., Ltd. (晉能控股電力集團有限公司) ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	500,000,000		8.56%	10.27%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司) ⁽¹⁾⁽⁴⁾ (“ Shanxi International Electricity ”)	Interest in controlled corporations	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) ⁽¹⁾	Beneficial owner	Domestic Shares	300,000,000		5.14%	6.16%
	Interest in controlled corporations	Domestic Shares	291,339,054		4.99%	5.98%
Shanxi Qinxin Energy Group Co., Ltd. (山西沁新能源集團股份有限公司)	Interest in controlled corporations	Domestic Shares	5,789,823		0.10%	0.12%
	Beneficial owner	H Shares	102,297,000		1.75%	10.54%

APPENDIX I
GENERAL INFORMATION

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Taiyuan Industrial Park Investment Holdings Co., Ltd. (太原工業園區投資控股有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
China Credit Trust Co., Ltd. (中誠信託有限責任公司) ⁽⁵⁾	Interest in controlled corporations	H Shares	102,297,000		1.75%	10.54%
Harvest Fund Management Co., Ltd. (嘉實基金管理有限公司) ⁽⁵⁾	Investment manager	H Shares	102,297,000		1.75%	10.54%
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	Trustee	H Shares	102,297,000		1.75%	10.54%
Guotai Asset Management Co., Ltd. (國泰基金管理有限公司)	Investment manager	H Shares	62,044,000		1.06%	6.39%
Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Holdings Limited (國泰君安金融控股有限公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Holdings Limited (國泰君安控股有限公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%

Name of Shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan (Hong Kong) Limited (國泰君安(香港)有限公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Products Limited (國泰君安金融產品有限公司) ⁽⁶⁾	Beneficial owner	H Shares	61,300,000		1.05%	6.32%
	Beneficial owner	H Shares		61,300,000	1.05%	6.32%

Notes:

- (1) Shanxi State-owned Capital Operation Co., Ltd. was formerly known as Shanxi State-owned Capital Investment and Operation Co., Ltd.

SSCO indirectly held 1,212,220,564 Domestic Shares, representing 20.76% equity interest in our Bank. SSCO's shareholding in our Bank was held through certain subsidiaries, including (i) Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司) (a wholly-owned subsidiary of Lu'an Chemical Group Co., Ltd. (潞安化工集團有限公司), in which SSCO held 90% equity interest) with 6.15% equity interest in our Bank; (ii) Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) (in which SSCO held 90% equity interest) with 4.99% equity interest in our Bank and Shanxi Tongpei Coal Mine and Coke Co., Ltd. (山西統配煤礦煤焦有限公司) (formerly known as Shanxi Tongpei Coal Comprehensive Operation Company (山西統配煤礦綜合經營總公司)) (a wholly-owned subsidiary of Shanxi Coking Coal Group Co., Ltd.) with 0.10% equity interest in our Bank; (iii) Shanxi International Electricity with 5.14% equity interest in our Bank; (iv) Jinneng Holding Equipment Manufacturing Group Co., Ltd. with 3.43% equity interest in our Bank; and (v) Shanxi Investment Group Co., Ltd. (山西省投資集團有限公司) (a wholly-owned subsidiary of Shanxi Cultural Tourism Investment Holding Group Co., Ltd. (山西省文化旅遊投資控股集團有限公司) in which SSCO held 90% equity interest) with 0.96% equity interest in our Bank.

- (2) Huaneng Group indirectly held 600,000,000 Domestic Shares, representing 10.28% equity interest in our Bank through Huaneng Capital, in which Huaneng Group held 61.22% equity interest. By virtue of SFO, Huaneng Group is deemed to be interested in the Domestic Shares held by Huaneng Capital.
- (3) Mr. LI Jianming held 90% of the equity interest in Changzhi Nanye, and Ms. WANG Yanli held 70% of the equity interest in Changzhi Huashengyuan.

Changzhi Nanye and Changzhi Huashengyuan are parties acting-in-concert according to their respective confirmation. Therefore, Mr. LI Jianming, Ms. WANG Yanli, Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in 685,227,255 Domestic Shares, representing approximately 11.74% equity interest in our Bank. By virtue of SFO, Mr. LI Jianming and Ms. WANG Yanli are deemed to be interested in the Domestic Shares held by both Changzhi Nanye and Changzhi Huashengyuan, while Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in the Domestic Shares held by each other.

- (4) SSCO held 90% of the equity interest in Jinneng Holding Group Co., Ltd. (晉能控股集團有限公司). Jinneng Holding Power Group Co., Ltd., a subsidiary of Jinneng Holding Group Co., Ltd. with 64% equity interest, indirectly held 300,000,000 Domestic Shares, representing 5.14% equity interest in the Bank through its wholly-owned subsidiary, Shanxi International Electricity. By virtue of SFO, Jinneng Holding Group Co., Ltd. and Jinneng Holding Power Group Co., Ltd. are deemed to be interested in the Domestic Shares held by Shanxi International Electricity.

Jinneng Holding Group Co., Ltd. indirectly held 200,000,000 Domestic Shares, representing 3.43% equity interest in the Bank, through its 70% equity interest in Jinneng Holding Equipment Manufacturing Group Co., Ltd. By virtue of SFO, Jinneng Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Jinneng Holding Equipment Manufacturing Group Co., Ltd.

- (5) China Credit Trust Co., Ltd. was interested in the long position of 102,297,000 H Shares, representing 1.75% equity interest in our Bank through its 40%-owned company, Harvest Fund Management Co., Ltd. By virtue of SFO, China Credit Trust Co., Ltd. is deemed to be interested in the H Shares held by Harvest Fund Management Co., Ltd.
- (6) Guotai Junan Securities Co., Ltd. was interested in the long position of 61,300,000 H Shares, representing 1.05% equity interest in our Bank, and 61,300,000 short positions in H Shares, representing 1.05% equity interest in our Bank through its wholly-owned subsidiaries, Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited with an indirect 68.10% equity interest, Guotai Junan (Hong Kong) Limited (a wholly-owned subsidiary) and Guotai Junan Financial Products Limited (a wholly-owned subsidiary). By virtue of SFO, Guotai Junan Securities Co., Ltd., Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited and Guotai Junan (Hong Kong) Limited are deemed to be interested in the H Shares held by Guotai Junan Financial Products Limited.

As at the Latest Practicable Date, Mr. MA Hongchao, our Bank's non-executive Director, served in several subsidiaries of Huaneng Group. Save as disclosed above, none of the Directors or Supervisors was a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO.

V. INTEREST OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, the Supervisors or their close associates had interested in any business, which competes or is likely to compete, either directly or indirectly, with the Group's business which would fall to be disclosed under the Hong Kong Listing Rules.

VI. DIRECTORS AND SUPERVISORS' INTEREST IN ASSET

As at the Latest Practicable Date, none of the Directors and Supervisors had: (i) any direct or indirect interests in any asset which had been, since December 31, 2023, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) any material interest in any subsisting contract or arrangement as at the Latest Practicable Date which is significant in relation to the business of the Group.

VII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Bank or its subsidiary which is not expiring or determinable by the Bank or its subsidiary within one year without payment of compensation (other than statutory compensation).

VIII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in relation to the Bank's financial or trading positions since December 31, 2023, the date on which the latest audited consolidated financial statements of the Group were made up.

IX. EXPERT'S QUALIFICATIONS AND CONSENT

The followings are the qualifications of the expert who has given opinion or advice which are contained in this circular:

Name	Qualifications
Somerley Capital	a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the Independent Financial Adviser

Somerley Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Somerley Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley Capital had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since December 31, 2023 (the date on which the latest audited consolidated financial statements of the Group were made up) or proposed to be acquired, disposed of or leased to any member of the Group.

X. GENERAL INFORMATION

- (i) The secretary to the Board is Mr. LI Yanbin.
- (ii) The legal address, registered address and address of headquarters of the Bank is at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC.
- (iii) The address of the H Share Registrar is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

XI. DOCUMENTS ON DISPLAY

A copy of the Renewed Huaneng Framework Agreement will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Bank (<http://www.jshbank.com>) for a period of 14 days from the date of this circular.

The biographical details of Mr. Li, Mr. Liang and Mr. Suo are as follows:

Mr. LI Yanbin (李燕斌), aged 45, has been a vice president of the Bank since June 14, 2022, as joint company secretary of the Bank since August 29, 2023, and as secretary of the Board of Directors since October 26, 2023. Mr. Li has more than 21 years of experience in economic management. Mr. Li joined the Bank in December 2021 and has been the general manager of the asset custody department (preparatory) (資產託管部(籌)) of the Bank since January 2022. He served as the general manager of the investment banking department (投資銀行部) of the Bank from January 2022 to March 2023. Prior to joining the Bank, he worked at Huayuan Landport Capital Operation Co., Ltd. (華遠陸港資本運營有限公司) as the deputy head of the preparatory office from December 2020 to January 2021, the director from January 2021 to July 2021 and the vice chairman and general manager from January 2021 to December 2021. He also worked at Huayuan International Land Port Group Co., Ltd. (華遠國際陸港集團有限公司) as the head of the capital operation department from April 2020 to October 2020, the director of the asset management center from October 2020 to December 2021 and the head of the financial management department from January 2021 to December 2021. Mr. Li worked as a director of Shanxi Enterprise Re Guarantee Co., Ltd. (山西企業再擔保有限公司) from September 2013 to December 2021 and also worked as the chairman of the board of supervisors of Jinyulu Railway Transport Co., Ltd. (晉豫魯鐵路通道股份有限公司) from October 2019 to December 2021. He joined Shanxi Energy Transportation Investment Co., Ltd. (山西能源交通投資有限公司) in September 2010 and worked as the deputy head of the capital operation department from February 2013 to June 2016 (presiding over the work of the capital operation department from August 2015 to June 2016) and the head of the capital operation department from June 2016 to April 2020. Mr. Li worked at Bank of Communications Co., Ltd. (a company listed on the Hong Kong Stock Exchange with stock code: 3328 and listed on the Shanghai Stock Exchange with stock code: 601328) as the accountant of Shangguanxiang Savings Office of Taiyuan Branch (太原分行上官巷儲蓄所) from August 2002 to December 2002, the accountant of the business department of Taiyuan Branch from December 2002 to March 2003, the general secretary of the office of Taiyuan Branch from March 2003 to November 2005, the customer manager of Taiyuan Xinjian South Road sub-branch (太原新建南路支行) from November 2005 to January 2006, the customer manager of Taiyuan 51 Road sub-branch (太原五一路支行) from January 2006 to June 2009, the customer manager of the major customer department of Shanxi Branch from June 2009 to August 2010 and the chief of the credit section of the major customer department of Shanxi Branch from August 2010 to September 2010.

Mr. Li obtained a bachelor's degree in economics and management from Shanxi University of Finance and Economics (山西財經大學) in Shanxi, the PRC, in July 2002. Mr. Li obtained a master's degree in economics from Shanxi University of Finance and Economics (山西財經大學) in June 2008. Mr. Li was qualified as a senior economist in August 2019.

Mr. LIANG Yongming (梁永明), aged 59, has extensive experience in financial management, accounting and auditing. Mr. Liang has been the deputy director of Shanghai Junhe Accounting Firm Co., Ltd. (上海君禾會計師事務所有限公司) since September 2021. He served as the deputy general manager of Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司) from September 2011 to September 2021, and the executive director of Huatai Expo

Real Estate Co., Ltd. (華泰世博置業有限公司) from August 2013 to October 2021. Mr. Liang served as the deputy director (副部長) (in charge of work) of the Department of Funds and Finance of Shanghai Expo Coordination Bureau (上海世博會事務協調局資金財務部) and then the chief accountant of Shanghai Expo Engineering Command Office (上海世博會工程指揮部辦公室) from November 2005 to September 2011. He consecutively served as the director of the legal affairs division (法制處), the economic and trade audit division (經貿審計處) and the financial audit division (財政審計處) of the Office of the Special Commissioner of the National Audit Office in Shanghai (審計署駐上海特派員辦事處) from July 1988 to November 2005. Mr. Liang is a Shanghai financial performance evaluation expert and government procurement evaluation expert. Mr. Liang was or is an independent non-executive director of the companies shown in the table below.

Company name	Place of establishment	Nature of business	Term of service
Shanghai Research Institute of Building Sciences Group Co., Ltd. (上海建科集團股份有限公司), listed on the Shanghai Stock Exchange (stock code: 603153)	PRC	Engineering consulting, inspection, testing and technical services	November 2020 to present
Singatron Electronic (China) Co., Ltd. (信音電子(中國)股份有限公司), listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 301329)	PRC	Computer, communications and other electronic equipment manufacturing industry	August 2020 to present
Zhejiang Longsheng Group Co., Ltd. (浙江龍盛集團股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600352)	PRC	Chemical industry	February 2015 to February 2021; May 2022 to present
Juxin International Financial Leasing Co., Ltd. (聚信國際融資租賃股份有限公司)	PRC	Financial leasing industry	August 2019 to July 2021

Company name	Place of establishment	Nature of business	Term of service
Bank of Xi'an Co., Ltd. (西安銀行股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600928)	PRC	Banking industry	December 2017 to August 2024
L and K Engineering (Suzhou) Co., Ltd. (亞翔系統集成科技(蘇州)股份有限公司), listed on the Shanghai Stock Exchange (stock code: 603929)	PRC	Construction and installation industry	January 2016 to March 2021
China Grand Automotive Services Group Co., Ltd. (廣匯汽車服務集團股份公司), delisted from the Shanghai Stock Exchange on August 28, 2024	PRC	Automobile industry	December 2015 to January 2022

Mr. Liang obtained a master's degree in business administration from Fudan University (復旦大學) in Shanghai, the PRC, in July 1999. He obtained a bachelor's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, the PRC, in July 1988. Mr. Liang is a senior auditor and a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

The Directors are of the view that Mr. Liang will be able to devote sufficient time to discharge his responsibilities as an independent non-executive Director because Mr. Liang expects that the time to be spent for his role as an independent non-executive director of the companies as disclosed above occupies approximately 50% of his working time, and his working time to be devoted to the Bank is sufficient for him to fulfill his responsibilities in the Bank.

Mr. SUO Xuquan (索緒權), aged 67, has more than 37 years of experience in banking industry. Mr. Suo once worked in Industrial and Commercial Bank of China ("ICBC") (a company listed on the Shanghai Stock Exchange with stock code 601398, and on the Hong Kong Stock Exchange with stock code 1398) for 33 years until retirement in June 2017, where he successively served as the deputy division director (副處長) and the division director (處長) of its Shaanxi Branch; at the head office as the deputy general manager of the commercial and industrial credit management department (工商信貸管理部), the general manager of the credit

department (信用部), and the general manager of the credit approval department (授信審批部). Prior to that, Mr. Suo worked in Shaanxi Branch of the People's Bank of China. Mr. Suo was or is an independent non-executive director of the companies shown in the table below.

Company name	Place of establishment	Nature of business	Term of service
Northking Information Technology Co., Ltd. (京北方信息技術股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002987)	PRC	Information technology industry	November 2020 to present
China Everbright Environment Group Limited (中國光大環境(集團)有限公司), listed on the Hong Kong Stock Exchange (stock code: 0257)	Hong Kong	Environmental protection industry	August 2018 to present
PICC Asset Management Company Limited (中國人保資產管理有限公司)	PRC	Insurance industry	February 2022 to present
China CITIC Bank International Limited (中信銀行國際(中國)有限公司), delisted from the Hong Kong Stock Exchange on November 5, 2008	PRC	Banking industry	December 2018 to present
Bank of Zhangjiakou Co., Ltd. (張家口銀行股份有限公司)	PRC	Banking industry	April 2020 to January 2024
China Satellite Communications Co., Ltd. (中國衛通集團股份有限公司), listed on the Shanghai Stock Exchange (stock code: 601698)	PRC	Communications satellite operations industry	June 2017 to June 2020

Mr. Suo graduated from on-job postgraduate class of economics and management program in the Correspondence College of Central Party School of the Communist Party of China (中共中央黨校函授學院). Mr. Suo is a senior economist and an expert entitled to special allowance of the State Council.

The Directors are of the view that Mr. Suo will be able to devote sufficient time to discharge his responsibilities as an independent non-executive Director because Mr. Suo expects that the time to be spent for his role as an independent non-executive director of the companies as disclosed above occupies approximately 60% of his working time, and his working time to be devoted to the Bank is sufficient for him to fulfill his responsibilities in the Bank.

NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

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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)

NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

Reference is made to the circular of Jinshang Bank Co., Ltd.* (the “**Bank**”) dated December 5, 2024 (the “**Circular**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

NOTICE IS HEREBY GIVEN that the 2024 first extraordinary general meeting (the “**EGM**”) of the Bank will be held at 10:00 a.m. on December 27, 2024 at the Conference Room, 22nd Floor, No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC, to consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the Renewed Huaneng Framework Agreement entered into between the Bank and Huaneng Capital Service Co., Ltd., the transactions contemplated thereunder and the annual caps for the three years ending December 31, 2025, 2026 and 2027 relating thereto;
2. To consider and approve the appointment of Mr. LI Yanbin as an executive Director of the sixth session of the Board of Directors of the Bank;
3. To consider and approve the appointment of Mr. LIANG Yongming as an independent non-executive Director of the sixth session of the Board of Directors of the Bank;
4. To consider and approve the appointment of Mr. SUO Xuquan as an independent non-executive Director of the sixth session of the Board of Directors of the Bank;

NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

5. To consider and approve the resignation of Mr. WANG Liyan as an independent non-executive Director of the Bank; and
6. To consider and approve the determination of the write-off amount of non-performing assets (including credit assets and non-credit assets) for 2025.

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

Taiyuan, December 5, 2024

As at the date of this notice, the Board comprises Ms. HAO Qiang and Mr. ZHANG Yunfei as executive Directors; Mr. LI Shishan, Mr. MA Hongchao, Mr. LIU Chenhong, Mr. LI Yang and Mr. WANG Jianjun as non-executive Directors; and 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/deposit-taking business in Hong Kong.*

NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

Notes:

1. For more information about the above resolutions, please refer to the Circular.

2. **Registration Procedures for Attending the EGM**

Individual shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document(s) or proof of identity and stock account cards. Proxies of individual shareholders shall produce their effective document of identity and proxy form. A corporate shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid document(s) evidencing his/her capacity as a legal representative. If being appointed to attend the meeting, the proxy should produce his/her identity card and an authorization instrument duly signed by the legal representative of the corporate shareholder.

3. **Proxy**

Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or more person(s) (if the shareholder holds two or more issued shares of the Bank), whether (each of) such person(s) is a shareholder of the Bank or not, as his/her/its proxy or proxies to attend and vote on his/her/its behalf at the EGM. The instrument appointing a proxy must be signed by the shareholder or his/her attorney duly authorized in writing. For a corporate shareholder, the proxy instrument must be affixed with the common seal or signed by its director or attorney duly authorized in writing. If the power of attorney of the proxy is signed by the authorized person of the appointer under a power of attorney or other authorization document(s) given by the appointer, such power of attorney or other authorization document(s) shall be notarized and served at the same time as the power of attorney. To be valid, the form of proxy, together with a notarially certified copy of the power of attorney or other authorization document(s) must be delivered to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the shareholders of the Bank's H shares) or the office of the board of directors of the Bank at No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC (for the shareholders of the Bank's domestic shares) no later than 24 hours before the scheduled time for the holding of the EGM (i.e. 10:00 a.m. on December 26, 2024 (Thursday)) or any adjournment thereof (as the case may be). In case of registered joint holders of any shares of the Bank, any one of the registered joint holders can vote on such shares at the EGM in person or by proxy as if he/she is the only holder entitled to vote. If more than one registered joint holders attend the EGM in person or by proxy, only the vote of the person whose name appears first in the register of members of the Bank relating to such shares (in person or by proxy) will be accepted as the sole and exclusive vote of the joint holders. After the completion and return of the form of proxy and the power of attorney, you can attend and vote in person at the EGM or any adjournment thereof should you so wish. In this case, the power of attorney will be deemed to have been revoked.

4. **Closure of Register of Members**

The Bank's register of members will be closed from December 20, 2024 (Friday) to December 27, 2024 (Friday), both days inclusive. The shareholders whose names appear in the Bank's register of members as at the close of business on December 19, 2024 (Thursday) shall be entitled to attend and vote at the EGM. For the shareholders of the Bank's H shares to be eligible for attending and voting at the EGM, all transfer document(s) together with the relevant share certificates and other appropriate document(s) shall be delivered to 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 no later than 4:30 p.m. on December 19, 2024 (Thursday).

5. **Publication of Poll Results**

Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), all resolutions at the EGM will be voted by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands). The results of poll will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.jshbank.com) in accordance with Rule 13.39(5) of the Hong Kong Listing Rules.

6. **Miscellaneous**

The EGM is expected to last for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own traveling, dining and accommodation expenses.