
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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Huishang Bank Corporation Limited*
徽商銀行股份有限公司*

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

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

2017 ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held at the Hall, 11/F, Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC at 9:00 a.m. on Tuesday, May 29, 2018. The notice of the 2017 Annual General Meeting is set out on pages 69 to 73 of this circular.

If you intend to appoint a proxy to attend the 2017 Annual General Meeting, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. H Shareholders should return the proxy form to Computershare Hong Kong Investor Services Limited, and Domestic Shareholders should return the proxy form to the Bank's registered office and principal place of business in the PRC respectively and in each case, in person or by post, not less than 24 hours before the time fixed for holding the 2017 Annual General Meeting (i.e. before 9:00 a.m. on Monday, May 28, 2018) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the 2017 Annual General Meeting or at any adjourned meeting thereof should you so wish.

If you intend to attend the 2017 Annual General Meeting in person or by proxy, you are required to complete and return the accompanying reply slip to Computershare Hong Kong Investor Services Limited (for H Shareholders) or to the Bank's registered office and principal place of business in the PRC (for Domestic Shareholders) on or before Wednesday, May 9, 2018.

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

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DEFINITIONS

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

“2017 Annual General Meeting” or “2017 AGM”	the 2017 annual general meeting of the Bank to be held at the Hall, 11/F, Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, PRC at 9:00 a.m. on Tuesday, May 29, 2018
“Articles of Association”	the articles of association of the Bank, as currently in effect
“Bank” or “Huishang Bank”	Huishang Bank Corporation Limited (徽商銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Bonus Issue”	the issue of one (1) Bonus Share for every ten (10) existing Shares to the holders of Domestic Shares and H Shares whose names appear on the registers of members of the Bank on the Domestic Share Record Date and the H Share Record Date, respectively, subject to the approval of the Shareholders at the 2017 AGM
“Bonus Domestic Share(s)”	new Domestic Shares to be allotted and issued under the Bonus Issue
“Bonus H Share(s)”	new H Shares to be allotted and issued under the Bonus Issue
“Bonus Share(s)”	collectively, the Bonus Domestic Shares and the Bonus H Shares and where the context so requires, any or all of such Domestic Shares or H Shares to be allotted and issued under the Bonus Issue
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	ordinary share(s) issued by the Bank in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Domestic Share Record Date”	June 7, 2018, the date for determining the Domestic Shareholders’ entitlements to the Bonus Issue and the cash dividend
“Group”	the Bank and its subsidiaries
“H Share(s)”	overseas-listed foreign investment share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Share(s)
“H Share Record Date”	June 7, 2018, the date for determining the H Shareholders’ entitlements to the Bonus Issue and the cash dividend
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	April 9, 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the <i>Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i> , as amended, supplemented or otherwise modified from time to time
“PBOC”	the People’s Bank of China

DEFINITIONS

“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preference Share(s)”	preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each
“Preference Shareholder(s)”	holder(s) of Preference Share(s)
“Record Date(s)”	the Domestic Share Record Date and/or the H Share Record Date, as the case may be
“RMB”	Renminbi, the lawful currency of the PRC, and unless otherwise specified herein, the currency used in this circular shall be Renminbi
“SFO”	the <i>Securities and Futures Ordinance</i> (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) of the Bank, consisting of the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	the shareholder(s) of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank

EXPECTED TIMETABLE

2018

Latest time for lodging transfers of the H Shares to qualify for entitlement to attend the 2017 AGM	4:30 pm, April 27
Closure of register of members for H Shares for the 2017 AGM	April 29 to May 29 (both days inclusive)
Latest date for lodging reply slips for the 2017 AGM	May 9
Latest time for lodging forms of proxy for the 2017 AGM	9:00 am, May 28
2017 AGM	9:00 am, May 29
Publication of the announcement of poll results of the 2017 AGM	May 29
Register of members for H Shares re-opens	May 30
Last day of dealings in the H Shares cum-entitlement to the Bonus H Shares and the cash dividend	May 30
First day of dealings in the H Shares ex-entitlement to the Bonus H Shares and the cash dividend	May 31
Latest time for lodging transfers of the H Shares to qualify for entitlement to the Bonus H Shares and the cash dividend	4:30 pm, June 1
Closure of register of members for H Shares for the Bonus H Shares and the cash dividend	June 2 to June 7 (both days inclusive)
H Share Record Date for the Bonus H Shares and the cash dividend	June 7
Register of members for H Shares re-opens	June 8
Expected dispatch date of share certificates of Bonus H Shares	July 27
Payment of cash dividend for H Shares	July 27
Expected first day of listing of, and dealing in the Bonus H Shares	9:00 a.m., July 30

Note: Dates or deadlines specified in this circular are indicative only and may be varied by the Bank. The Bank will immediately issue a separate announcement if there is any change to the aforesaid dates.

LETTER FROM THE BOARD OF DIRECTORS



Huishang Bank Corporation Limited*
徽商银行股份有限公司*

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

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

Executive Directors:

Mr. Wu Xuemin

Mr. Ci Yaping

Non-executive Directors:

Mr. Zhang Feifei

Mr. Zhu Jiusheng

Mr. Qian Li

Ms. Lu Hui

Mr. Zhao Zongren

Mr. Qiao Chuanfu

Mr. Gao Yang

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

Block A, Tianhui Building,

79 Anqing Road,

Hefei,

Anhui Province,

PRC

Principal place of business in Hong Kong:

18/F, Tesbury Centre,

28 Queen's Road East,

Wanchai,

Hong Kong

Independent non-executive Directors:

Mr. Au Ngai Daniel

Mr. Dai Genyou

Mr. Wang Shihao

Mr. Zhang Shenghuai

Mr. Zhu Hongjun

To the Shareholders

Dear Sir or Madam,

2017 ANNUAL GENERAL MEETING

I. INTRODUCTION

The 2017 Annual General Meeting of the Bank will be held on Tuesday, May 29, 2018, and the following resolutions will be proposed at the meeting:

Ordinary resolutions

(1) the Final Financial Accounts for 2017

(2) the Financial Budget for 2018

LETTER FROM THE BOARD OF DIRECTORS

- (3) the appointment of external auditors of the Bank for 2018
- (4) the Appraisal Report on the Performance of Duties by Directors (Including Independent Non-executive Directors) in 2017 by the Board of Directors
- (5) the Appraisal Report on the Performance of Duties by Supervisors (Including External Supervisors) in 2017 by the Board of Supervisors
- (6) the Work Report of the Board of Directors for 2017
- (7) the Work Report of the Board of Supervisors for 2017
- (8) the election of Ms. Zhou Yana as an independent non-executive Director of the third session of the Board of Directors
- (9) the adjustment of the allowance standard for independent non-executive Directors
- (10) the adjustment of the allowance standard for external Supervisors
- (11) the determination of the remuneration standard for executive Directors for 2015
- (12) the determination of the remuneration standard for the former chairman of the Board of Supervisors for 2015

SPECIAL RESOLUTIONS

- (13) the Profit Distribution Plan for 2017
- (14) the general mandate for the issue of Shares of the Bank
- (15) the amendments to the Articles of Association

Apart from the consideration and approval of the aforementioned resolutions, the Shareholders will be debriefed by the Bank in respect of the Report on Related Party Transactions for 2017, the Duty Report of the Independent Non-executive Directors for 2017, the Supervisory and Appraisal Report by the Board of Supervisors on the Performance of Duties by the Board of Directors and its members for 2017, and the Supervisory and Appraisal Report by the Board of Supervisors on the Performance of Duties by the Senior Management and its Members for 2017 at the 2017 AGM.

The purpose of this circular is to incorporate the notice of the 2017 Annual General Meeting, and to provide you with details regarding the resolutions mentioned above.

LETTER FROM THE BOARD OF DIRECTORS

II. MATTERS TO BE RESOLVED AT THE AGM

1. Final Financial Accounts for 2017

The final financial accounts for 2017 have been completed by the Group in accordance with the relevant regulations. Based on the audited financial statements for the year ended December 31, 2017 prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards respectively, the final financial accounts of the Group for 2017 are set out as follows:

In 2017, operating income was RMB22,592 million, representing an increase of RMB1,586 million or 7.55% from last year and 110.99% of the budget; operating expense (including business tax and surcharges, business and management fee and other business cost) was RMB5,724 million, representing an increase of RMB105 million or 1.87% from last year and 96.59% of the budget; provision for impairment loss was RMB7,203 million, representing an increase of RMB716 million or 11.04% from last year and 135.10% of the budget; profit before tax was RMB9,613 million, representing an increase of RMB800 million or 9.08% from last year and 98.75% of the budget; the realized net profit was RMB7,812 million, representing an increase of RMB816 million or 11.66% from last year, and 106.31% of the budget.

Basic earnings per share of 2017 was RMB0.66, representing an increase of RMB0.04 or 6.45% from last year; diluted earnings per share was RMB0.66, representing an increase of RMB0.04 or 6.45% from last year.

Return on average total assets of 2017 was 0.94%, representing a decrease of 7 basic points from last year; return on average net assets was 15.56%, representing a decrease of 7 basic points from last year; net interest margin was 2.31%, representing a decrease of 28 basic points from last year; net interest spread was 2.18%, representing a decrease of 24 basic points from last year.

In 2017, the Group's core Tier 1 capital adequacy ratio was 8.48%, representing a decrease of 0.31 percentage point from last year; capital adequacy ratio was 12.19%, representing a decrease of 0.80 percentage point from last year.

In 2017, non-performing loan ratio was 1.05%, representing a decrease of 0.02 percentage point from last year, achieving the goal of less than 1.5%; provision coverage ratio of non-performing loan was 287.45%, representing an increase of 16.68 percentage points from last year.

For details of the financial information of the Group for the year ended December 31, 2017 audited in accordance with the International Financial Reporting Standards, please refer to the financial statements in the 2017 annual results announcement published by the Bank on March 23, 2018, which contains the full text of the 2017 Annual Report of the Bank, and the printed version of which will be delivered to the H Shareholders by the Bank in late April 2018.

LETTER FROM THE BOARD OF DIRECTORS

2. Financial Budget for 2018

According to the Bank's strategic development and business expansion needs, the Bank plans to make capital expenditures amounting to approximately RMB1,684 million in 2018, details of which are set out as follows:

- (1) approximately RMB826 million for operating premises;
- (2) approximately RMB485 million for technology items;
- (3) approximately RMB83 million for office equipment and facilities;
- (4) approximately RMB95 million for security control equipment and facilities; and
- (5) approximately RMB195 million for long-term deferred expenses.

3. Appointment of External Auditors of the Bank for 2018

In order to meet the business development requirements of the Bank and promote legal and compliance operation of the Bank, the Board proposes to the general meeting to reappoint Ernst & Young Hua Ming LLP (Special General Partnership) as the external auditor for domestic auditing of the relevant financial statements of the Bank for 2018 in accordance with the China Accounting Standards, and it also proposes the re-appointment of Ernst & Young as the overseas auditor of the Bank in 2018 for providing audit services on the financial statements in accordance with the International Financial Reporting Standards, each with a term commencing on the date on which the relevant resolution is passed at the general meeting until the date of conclusion of the 2018 annual general meeting of the Bank, and the Board (and authorized persons by the Board) is authorized to determine the remunerations of the external auditors.

Services to be provided by the external auditors mainly include annual auditing, reviewing the interim report, PN730 and PN740 under the International Accounting Standards, and statutory auditing, management letter, verification of operating and financial information in the annual report and interim report with audit/review reports and issuing letters of undertakings in respect of the quotation of relevant auditing reports for the purpose of issuance of financial bonds under the China Accounting Standards.

The Board has agreed to authorize the chairman of the Board to determine the remuneration of external auditors.

4. Appraisal Report on the Performance of Duties by Directors (Including Independent Non-executive Directors) in 2017 by the Board of Directors

In 2017, the Board of the Bank convened 7 Board meetings in total, while the special committees convened 19 meetings in total. All the Directors participated actively in the meetings and performed their duties in accordance with the laws.

LETTER FROM THE BOARD OF DIRECTORS

(1) Appraisal on the Directors

As at the end of 2017, the Board of the Bank was comprised of 14 Directors in total, including Wu Xuemin and Ci Yaping as executive Directors; Zhang Feifei, Zhu Jiusheng, Qian Li, Lu Hui, Zhao Zongren, Qiao Chuanfu and Gao Yang as non-executive Directors; Dai Genyou, Wang Shihao, Zhang Shenghuai, Au Ngai Daniel and Zhu Hongjun as independent non-executive Directors. The attendance of all Directors in the Board meetings in 2017 is set out below:

Name	Position in the Bank	Number of meetings that should have been attended in the year	Attended in person (time(s))	Attended by proxy (time(s))	Absent (time(s))
Wu Xuemin	Executive Director	7	7	–	–
Ci Yaping	Executive Director	7	7	–	–
Zhang Feifei	Non-executive Director	7	6	1	–
Zhu Jiusheng	Non-executive Director	7	5	2	–
Qian Li	Non-executive Director	7	5	1	1
Lu Hui	Non-executive Director	7	5	2	–
Zhao Zongren	Non-executive Director	7	6	1	–
Qiao Chuanfu	Non-executive Director	7	7	–	–
Gao Yang	Non-executive Director	7	6	–	1
Dai Genyou	Independent non-executive Director	7	6	–	1
Wang Shihao	Independent non-executive Director	7	6	1	–
Zhang Shenghuai	Independent non-executive Director	7	7	–	–
Au Ngai Daniel	Independent non-executive Director	7	6	–	1
Zhu Hongjun	Independent non-executive Director	7	7	–	–

In 2017, all of the Directors studied the resolutions carefully and fully expressed their views on the various items on the agenda of the meetings with the aim of promoting the long-term and stable development of the Bank and protecting the interests of Shareholders (especially the minority Shareholders). The Directors fully utilized their professional knowledge and work experience to participate actively in decision-making and provide constructive opinions and recommendations in respect of the development of the Bank, thereby promoting scientific decision-making and regulated operations of the Board. The Directors performed their duties actively, carefully and dutifully and played an important role in supporting the development of the Bank whilst protecting the interests of all Shareholders.

LETTER FROM THE BOARD OF DIRECTORS

(2) Appraisal on the Independent Non-executive Directors

In 2017, during their time as independent non-executive Directors of the Bank, all five independent non-executive Directors, being Dai Genyou, Wang Shihao, Zhang Shenghuai, Au Ngai Daniel and Zhu Hongjun, had, in accordance with the Guide to Independent Directors and External Supervisors System of Shareholding Commercial Banks, the Hong Kong Listing Rules and other relevant regulatory requirements as well as the duties and rights prescribed by the Articles of Association, participated actively in meetings, fully expressed their opinions from an independent and impartial position, participated actively in the decision-making process, performed their duties in accordance with the laws and fully played their role as independent non-executive Directors to protect the interests of all Shareholders (especially the minority Shareholders) and the Bank.

Details of the performance of duties by independent non-executive Directors in 2017 are set out below:

(a) Comments from the independent non-executive Directors on major matters of the Bank

The independent non-executive Directors expressed actively their independent opinions on various issues and major matters reviewed and considered by the Board in 2017, and duly played their roles in corporate governance, so as to ensure that the Bank was able to cope with any changes in operating environment, that the long-term development strategies were implemented, and that the interests of all Shareholders and investors were protected.

(b) Performance of other duties by the independent non-executive Directors

The independent non-executive Directors were able to facilitate actively the effective operations of different special committees, and study carefully matters in their respective fields. They effectively supervised important matters such as information disclosure of the Bank and investor relations. They studied continuously the relevant laws, regulations and regulatory frameworks, especially those in relation to the standardization of corporate governance and protection of interests of the minority Shareholders, thus strengthening their ability in discharging their duties.

The Board hereby expresses its sincere gratitude for the contribution made by the independent non-executive Directors to the Bank in 2017.

Based on the information mentioned above, the appraisal results on the performance of duties by the Directors, including Wu Xuemin, Ci Yaping, Zhang Feifei, Zhu Jiusheng, Qian Li, Lu Hui, Zhao Zongren, Qiao Chuanfu, Gao Yang, Dai Genyou, Wang Shihao, Zhang Shenghuai, Au Ngai Daniel and Zhu Hongjun, in 2017 were all competent.

LETTER FROM THE BOARD OF DIRECTORS

5. Appraisal Report on the Performance of Duties of Supervisors (Including External Supervisors) in 2017 by the Board of Supervisors

(1) Performance of fiduciary duties by the Supervisors

In 2017, the Board of Supervisors of the Bank did not discover any improper behavior by the Supervisors such as violating the relevant laws, regulations and regulatory rules and the Articles of Association of the Bank, exercising powers that are out of their scope of duties, treating the Shareholders unfairly, receiving improper interests in the performance of their duties, gaining advantages for themselves through their positions as Supervisors of the Bank, jeopardizing the interests of the Bank for Shareholders' interests, or disclosing secrets of the Bank.

According to the appraisal, all Supervisors have performed their fiduciary duties faithfully in 2017.

(2) Diligent performance of duties by the Supervisors

(a) Attendance at meetings of the Board of Supervisors

In 2017, the Board of Supervisors of the Bank convened 8 meetings in total. The Supervisors performed their obligations with due diligence, participated in the meetings in compliance with the laws and where a Supervisor was unable to attend a meeting for any reason, he/she had by a written power of attorney appointed another Supervisor to attend the meeting on his/her behalf. The Supervisors were able to actively take part in the discussions, consider matters from the perspective of the Shareholders, employees, customers and other stakeholders of the Bank, express their opinions prudently and fulfill the responsibilities in accordance with the laws.

The attendance of Supervisors in the meetings during the year is set out as below:

Name	Attendance of Supervisors in the meetings		
	Number of meetings that should have been attended	Attended in person	Attended by proxy
Zhang Renfu	8	8	0
Xu Chongding	8	8	0
Zhou Tong	8	8	0
Cheng Junpei	8	7	1 ⁽¹⁾
Pan Shujuan	8	8	0
Yang Mianzhi	5	5	0
Cheng Rulin	8	8	0
Li Yuifeng	5	5	0

Note (1): Cheng Junpei appointed Pan Shujuan as her proxy to vote on her behalf at the 23rd Meeting of the third session of the Board of Supervisors.

LETTER FROM THE BOARD OF DIRECTORS

(b) Attendance at the general meetings

In 2017, the Bank held one annual general meeting, and considered and discussed 18 resolutions. A portion of the Supervisors attended the meeting, and Zhang Renfu, the chairman of the Board of Supervisors, supervised the legal compliance of the procedures of the meeting and the voting process on site as the chief scrutineer.

(c) Attendance at the meetings of the Board and the senior management

In 2017, the Board of Supervisors designated representatives to attend meetings of the Board and senior management. The Supervisors attended three Board meetings, and supervised the procedures of decision-making of the Board and the implementation of resolutions of the general meeting. In addition, the Supervisors attended the relevant meetings of the senior management, and supervised the implementation of the Board's resolutions by the senior management and the carrying out of operational management activities in accordance with the Articles of Association and the authorization by the Board. Supervisors also conducted off-site supervision on the implementation of Board resolutions and the operation and management within due authority scope by the senior management through their review on the information of the meetings and minutes.

(d) Operation of the special investigation mechanism

In 2017, the Board of Supervisors kept a close eye on new changes in the macro-economic financial policies and regulatory requirements, identified key risk points and carried out special investigations in major areas of risk control of the Bank and its transformation features. In view of the acceleration of IT construction and a relatively rapid growth in IT expenses of the Bank in recent years, the Board of Supervisors organized a special investigation on the management of the IT capital expenditure of the Bank in April and May 2017, and made an in-depth investigation and analysis focusing on the establishment of management mechanism, project regulation and assignment of responsibilities. The Report on this special investigation fairly reflected the general management of IT capital expenditure, pointed out the problems and deficiencies in project management and put forwards suggestions on work, which served as feedback to the senior management upon the consideration and approval of the Board of Supervisors.

LETTER FROM THE BOARD OF DIRECTORS

(e) Inspection and supervision over the Bank's controlled subsidiaries

From the perspective of safeguarding the Bank's interests in external investment, the Board of Supervisors continuously perfected the annual routine inspection mechanism over the Bank's subsidiaries. In 2017, the chairman of the Board of Supervisors led a team of Supervisors to inspect Jinzhai Huiyin Rural Bank Co., Ltd. and Wuwei Huiyin Rural Bank Co., Ltd. in May, and Huiyin Finance Leasing Co., Ltd. in June. Upon a thorough understanding of the operation and management of these subsidiaries under the local economic and financial circumstances and the problems and difficulties they had encountered, the Board of Supervisors prepared a special report and provided feedbacks to the Board of Directors and senior management as a reference for their decision-making, operation and management.

(f) External Supervisors' work

In 2017, through strict compliance with the regulatory requirements of the *Guidelines for the Corporate Governance of Commercial Banks* of the CBRC and the *Corporate Governance Code* of the Hong Kong Stock Exchange as well as the responsibilities and rights conferred by the the Articles of Association, external Supervisors of the Bank proactively attended relevant meetings and considered all resolutions with deliberation, fairly and objectively expressed an independent opinion on relevant matters from the perspective of facilitating the Bank to develop and protect the interests of the Shareholders and other stakeholders, performed their duties faithfully, seriously and diligently, actively promoted and improved the corporate governance of the Bank, and safeguarded the legitimate interests of the Bank and its minority shareholders as a whole. In 2017, all external Supervisors of the Bank fulfilled their duties diligently, and none of the external Supervisors performed the duties in a manner that affected the independence as prescribed by the domestic and overseas regulatory institutions, such as the PBOC, the CBRC, the CSRC and the Hong Kong Stock Exchange.

(3) Appraisal result

Based on the information above and with reference to the results of Supervisors' self-appraisals and mutual appraisals, all Supervisors have duly performed their supervisory duties in 2017, and their appraisal results are all competent.

6. Work Report of the Board of Directors for 2017

The full text of work report of the Board of Directors for 2017 is set out in Appendix I to this Circular.

7. Work Report of the Board of Supervisors for 2017

The full text of the work report of Board of Supervisors for 2017 is set out in Appendix II to this Circular.

LETTER FROM THE BOARD OF DIRECTORS

8. Election of Ms. Zhou Yana as an Independent Non-executive Director of the Third Session of the Board of Directors of the Bank

At the 35th meeting of the third session of the Board held on March 23, 2018, the Board resolved to nominate Ms. Zhou Yana as a candidate for an independent non-executive Director of the third session of the Board.

Biographical details of Ms. Zhou Yana are as follows:

Zhou Yana, born in 1954, obtained her master degree from Anhui University, majoring in accounting. She is a non-practicing member of the Chinese Institute of Certified Public Accountants. Ms. Zhou Yana was the head of department of accounting, executive assistant dean of school of economics and dean of school of business administration of Anhui University. Currently, she is as a professor of accounting and master tutor at school of business of Anhui University and an independent director of Hefei Urban Construction Development Co., Ltd, Tongqinlou Catering Corporation Ltd., Ningbo Runhe High-Tech Materials Co., Ltd, and Anhui Gourgen Traffic Construction Co., Ltd.

Subject to the election of Ms. Zhou as an independent non-executive Director by the Shareholders at the AGM, Ms. Zhou will enter into a directorship's service agreement with the Bank and her term as a Director shall be the same as the term of the third session of the Board, which is expected to commence from the date of approval of the qualification by the regulatory authorities and end on the date of completion of the re-election of the third session of the Board. The allowance to be received by Ms. Zhou as an independent non-executive Director of the Bank will be in line with the allowance standard of other independent non-executive Directors of the third session of the Board of the Bank, which comprises an annual allowance and other expenses. The specific amount of aggregate remuneration package will be determined at the end of the year and disclosed in the annual report of the Bank of that year. In addition, the remuneration to be received by Ms. Zhou shall be adjusted accordingly if the Resolution on the Adjustment of the Allowance Standard for Independent Non-executive Directors (see below) is approved by the Shareholders at the AGM.

To the best knowledge of the Directors of the Bank and save as disclosed above, Ms. Zhou has not held any directorship in any other public companies whose shares are listed on the Hong Kong Stock Exchange or other overseas stock exchanges during the past three years. Ms. Zhou does not have any relationship with any Directors, Supervisors, senior management, substantial or controlling Shareholders of the Bank. Save for being an independent non-executive Director of the Bank, Ms. Zhou does not hold any other positions with the Bank or any member of the Group. As at the Latest Practicable Date, Ms. Zhou has no interest in the shares of the Bank or its associated corporations within the meaning under Part XV of the SFO.

Save as disclosed above, there is no information required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters relating to the appointment of Ms. Zhou that need to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD OF DIRECTORS

9. Adjustment of the Allowance Standard for Independent Non-executive Directors

The allowance standard for independent non-executive Directors in force was considered and approved at the first extraordinary general meeting of the Bank in 2009. However, given that profound changes have taken place in both the domestic and international economic situations in the past 9 years, the allowance payment standard for existing independent non-executive Directors of the Bank is significant lower than that of our peers. In addition, since the listing of the Bank in Hong Kong, its Directors have discharged their obligations and attended the Board meetings through a variety of channels, including on-site meeting, telephone conference, video conference, written resolution and proxies. After due consideration, the allowance standard for independent non-executive Directors is recommended to be adjusted as follows:

- (1) Annual allowance: the allowance standard for each independent non-executive Director shall be RMB240,000 (before tax) based on the duties and obligations as an independent non-executive Director.
- (2) Other expenses: expenses, in the nature of travel, meals, accommodation and etc., incurred by independent non-executive Directors in the course of travelling, studying or researching on behalf of the Bank, can be reimbursed.

10. Adjustment of the Allowance Standard for External Supervisors

In order to give full play to the role of the external Supervisors, it is recommended that the allowance standard for external Supervisors of the Bank shall be adjusted with reference to the allowance standard of certain listed banks and in accordance with the Work Guidelines for the Board of Supervisors of Commercial Banks (Yin Jian Fa (2012) No. 44), the Working System for External Supervisors of Huishang Bank (Hui Yin Jian (2016) No. 9) and the Articles of Association of the Bank.

(I) The Standard for Allowance Payment in Effect

Currently, the annual allowance standard for external Supervisors of the Bank is set at RMB40,000 (after tax) per person, and an additional meeting allowance of RMB8,000 (after tax) to each external Supervisor attending a meeting of the Board of Supervisors.

(II) Reasons for the Adjustment

The allowance standard for external Supervisors of the Bank in effect was considered and approved at the first extraordinary general meeting of the Bank in 2009, which has been implemented for nine years. During the past nine years, the Bank has recorded significant growth in terms of the total assets and profitability and its interbank business and financial market business have developed rapidly, and the scope of supervision responsibilities has widened, leading to an increase in the duties and actual workload of the Board of Supervisors.

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In the course of ordinary operation, external Supervisors are deemed as members of the Board of Supervisors. They take active efforts in various supervisory engagements and discharge their obligations as external Supervisors effectively, faithfully and lawfully.

With reference to the allowance standard for external supervisors of other listed banks, it is considered that the allowance standard for external Supervisors of the Bank is relatively low and does not fully reflect the contributions made to the Bank by the external Supervisors.

(III) The Adjusted Standard for Allowance Payment

- (1) Annual allowance: the annual allowance standard for each external Supervisor will be set at RMB140,000 (before tax).
- (2) Meeting allowance: each external Supervisor attending an on-site meeting of the Board of Supervisors will be entitled to a meeting allowance of RMB15,000 (before tax).

No meeting allowance will be paid under any of the following circumstances:

- (a) Attendance of shareholders' general meetings;
 - (b) meetings of the Board of Supervisory held by way of a written resolution;
 - (c) meetings of the Board of Supervisory held by way of telephone conferences or video conferences or connection via telephone, video or other means;
 - (d) meetings of special committees of the Board of Supervisor;
 - (e) attendance by appointment of proxies.
- (3) Other expenses: expenses such as cost of travel, meals and accommodation incurred by external Supervisors in connection with the performance of their duties shall be borne and reimbursed by the Bank.

11. Determination of the Remuneration Standard for the Executive Directors for 2015

In accordance with the requirements of relevant documents of the Central Government, Provincial Party Committee and Government of Anhui on deepening remuneration reform of the responsible officers of state-owned enterprises and with reference to the Measures for Performance Evaluation of Financial Enterprises, Anhui Provincial Department of Finance issued the Notice of Anhui Provincial Department of Finance concerning the Issuance of "The Interim Measures for the Remuneration of Responsible Officers of Financial Enterprises owned by Anhui Province" (Cai Jin [2016] No. 1558) in October 2016, which specified the remuneration composition of the responsible officers (including basic annual salary,

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performance-related annual salary and tenure incentive income, of which the tenure incentive income shall be returned after three years subject to the passing of the assessment), rules of calculation and payment management and other relevant requirements; and issued the Reply of Anhui Provincial Department of Finance concerning the Remuneration of Responsible Officers of Huishang Bank Corporation Limited in 2015 (Cai Jin [2017] No. 368) in March 2017, to approve various remuneration standards for the responsible officers of the Bank.

The remuneration standard (excluding tenure incentive income) for executive Directors of the Bank in 2015 is as follows:

Position in 2015	Name	Remuneration Standard (in RMB0'000, before tax)	Note
Executive Director, Chairman	Li Hongming	45.87	Resigned on December 12, 2017
Executive Director, Vice Chairman	Xu Demei	37.15	Resigned on March 1, 2017
Executive Director, President	Wu Xuemin	45.86	Redesignated as the chairman of the Board on December 12, 2017 with qualification subject to approval of regulatory authorities, currently serving as the acting chairman of the Board and the acting president of the Bank
Executive Director	Zhang Renfu	37.15	Resigned as executive Director on January 6, 2016, and currently acting as the employee Supervisor and chairman of the Board of Supervisor
Executive Director, Vice President	Ci Yaping	36.69	–

Note: The remuneration of Chairman of the Bank shall be approved by Anhui Provincial Department of Finance on an annual basis. Therefore, the remuneration standard for executive Directors of the Bank for 2016 and the years onwards may be changed.

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12. Determination of the Remuneration Standard for the Former Chairman of the Board of Supervisors for 2015

In accordance with the requirements of relevant documents of the Central Government, Provincial Party Committee and Government of Anhui on deepening remuneration reform of responsible officers of state-owned enterprises, Anhui Provincial Department of Finance issued the Notice of Anhui Provincial Department of Finance concerning the Issuance of “The Interim Measures for the Remuneration of Responsible Officers of Financial Enterprises owned by Anhui Province” (Cai Jin [2016] No. 1558) in October 2016, which specified the remuneration composition of the responsible officers (including basic annual salary, performance-related annual salary and tenure incentive income, of which the tenure incentive income shall be returned after three years subject to the passing of the assessment), rules of calculation and payment management and other relevant requirements; and issued the Reply of Anhui Provincial Department of Finance concerning the Remuneration of Responsible Officers of Huishang Bank Corporation Limited in 2015 (Cai Jin [2017] No. 368) in March 2017, to approve various remuneration standards for the responsible officers of the Bank.

The remuneration standard for the former chairman of the Board of Supervisors of the Bank, Mr. Zhang Zhen, for 2015 is as follows:

Position	Name	Remuneration Standard (in RMB0'000, before tax)	Note
Former chairman of the Board of Supervisors	Zhang Zhen	42.04	Resigned on January 5, 2016

13. Profit Distribution Plan for 2017

The net profit for 2017 of the Bank is RMB7,423.622 million. The Bank proposes the profit distribution plan for 2017 as follows:

- (1) RMB742.36 million is proposed to be appropriated to the statutory surplus reserve, RMB1,243.529 million is proposed to be provided for general risk preparation reserve and RMB742.36 million is proposed to be appropriated to the discretionary surplus reserve, and the remaining distributable profit for the year will be RMB4,695.373 million.
- (2) a dividend distribution plan which consists of share dividend and cash dividend is proposed to be adopted; the proposed dividend distribution plan for 2017 of the Bank is 1 Bonus Share for every 10 Shares (before tax) plus a cash dividend of RMB0.25 (before tax) for every 10 Shares, distributing a total of 1,104,981,928 Bonus Shares (including 788,731,928 Bonus Domestic Shares and 316,250,000 Bonus H Shares) and a total cash dividend of approximately RMB276,245,500.

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Proposed distribution of cash dividend

On March 23, 2018, the Board proposed to distribute a cash dividend of RMB0.25 (before tax) for every 10 Shares. On the basis of a total of 11,049,819,283 Shares in issue as at 31 December 2017, a total dividend of approximately RMB276.2455 million will be distributed to the Shareholders. The cash dividend will be paid out of the retained profit of the Bank as of December 31, 2017. The cash dividend is denominated and declared in Renminbi, and will be paid to holders of Domestic Shares in Renminbi and to holders of H Shares in Hong Kong dollars. The actual amount of the cash dividend to be paid in Hong Kong dollars will be determined based on the average central parity rate of Renminbi against Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the 2017 AGM (May 29, 2018 inclusive).

Payment of the cash dividend is subject to the approval of the Shareholders of the Bank at the 2017 AGM.

Proposed Bonus Shares

On March 23, 2018, the Board also proposed to issue Bonus Shares to Shareholders whose names appear on the register of members of the Bank on the Record Dates on a basis of 1 Bonus Share for every 10 existing Shares held by the Shareholders on the Record Dates. Share capital for the Bonus Shares will be paid out of the retained profit of the Bank as of December 31, 2017. As at the Latest Practicable Date, the total issued shares of the Bank amounted to 11,049,819,283 Shares, including 7,887,319,283 Domestic Shares and 3,162,500,000 H Shares. On the basis of the total issued shares of 11,049,819,283 Shares, immediately following the completion of the Bonus Issue, the total Bonus Shares would be 1,104,981,928 Shares, including 788,731,928 Bonus Domestic Shares and 316,250,000 Bonus H Shares.

As at the Latest Practicable Date, the Bank issued 44,400,000 offshore Preference Shares with a par value of RMB100 per each. If any triggering event occurs, the offshore Preference Shares may be converted into H Shares in accordance with the conversion terms. For further details, please refer to the announcements of the Bank dated November 3, 2016 and November 10, 2016. Save as disclosed above, there was no other outstanding share option, warrant or convertible securities to subscribe for Shares.

(a) Approval requirements of the proposed Bonus Issue

The issuance of Bonus Shares is subject to the following approvals:

- (i) approval from the Shareholders at the 2017 AGM;
- (ii) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Bonus H Shares; and

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- (iii) compliance with the relevant legal procedures and requirements under the PRC laws and obtaining necessary regulatory approvals to effectuate the profit distribution plan for 2017, including approvals from the CBRC, the PRC tax authorities and the PRC foreign exchange administration.

Shareholders whose names appear on the register of members on the Record Dates will be entitled to the cash dividend and the Bonus Shares.

(b) Taxation

(i) Domestic Shareholders

According to the relevant requirements of the Individual Income Tax Law of the People's Republic of China, the Bank will withhold an individual income tax at the rate of 20% for natural person Shareholders whose names appear on the register of members for Domestic Shareholders on Thursday, June 7, 2018.

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

(ii) H Shareholders

The register of members of the Bank for H Shares will be closed from Saturday, June 2, 2018 to Thursday, June 7, 2018 (both days inclusive). In order to be entitled to the final dividend, H Shareholders of the Bank who have not registered the relevant transfer documents are required to lodge the transfer documents, together with the relevant share certificates, with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, June 1, 2018.

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

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

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issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China as well as the tax arrangements between Mainland China and Hong Kong (Macau).

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

- The Bank will withhold an enterprise income tax at a tax rate of 10% for those non-resident corporate H Shareholders pursuant to the Law of the People’s Republic of China on Enterprise Income Tax and relevant implementation rules which took effect from January 1, 2008. For the purpose of payment of the dividend, “non-resident corporate Shareholders” refer to any Shareholders holding the Shares in the name of non-individual Shareholders, which include but not limited to the H Shareholders whose Shares are registered in the name of HKSCC Nominees Limited, other nominees or trustees, or other groups and organizations. Shareholders should read the above information carefully. If anyone would like to change the identity of the Shareholder, please enquire about the relevant procedures with the nominees or trustees. The Bank is neither obligated nor responsible for ascertaining the identity of the Shareholders. In addition, the Bank will withhold the enterprise income tax and the individual income tax in strict compliance with the relevant laws or regulations and the registered information on the H Shares register of members of the Bank as at the record date. The Bank will not entertain, or take any responsibilities for, any requests or claims in relation to any delay or inaccuracies in ascertaining the identity of the Shareholders or any disputes over the mechanism of withholding of the enterprise income tax and the individual income tax.

(iii) Mainland’s Shareholders of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) and the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127), which were jointly released by the Ministry of Finance, the State Administration of Taxation and the CSRC on October 31, 2014 and November 5, 2016, respectively, for dividends received by the mainland individual investors from H shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong

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Kong Stock Connect, such H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (the “CSDC”) for providing the register of mainland individual investors and withhold individual income tax at 20% tax rate from mainland individual investors whose names are listed on such register provided by the CSDC. Dividends received by the mainland individual investors from non-H shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the CSDC will withhold individual income tax at 20% tax rate. Individual investors may, by producing valid tax payment certificates, apply to the competent tax authority under the CSDC for tax credit relating to the withholding tax already paid abroad.

For dividend income obtained by the mainland security investment funds from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, individual income tax shall be withheld according to the above regulations. For dividend income received by the mainland corporate investors from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such income shall be included in their total revenue and enterprise income tax shall be withheld by law. Meanwhile, for dividend income received by mainland resident enterprises from holding H shares for 12 consecutive months, enterprise income tax shall be exempted by law. H-share companies listed on Hong Kong Stock Exchange shall apply to the CSDC for providing the register of the mainland enterprise investors. The H-share companies shall not withhold income tax of dividends for mainland enterprise investors and such investors shall declare and pay the relevant tax themselves.

If the Shareholders of H Shares have any queries regarding the above tax arrangements, please consult your tax consultants on the tax impacts in PRC, Hong Kong and other countries (regions) for holding and selling the H Shares.

Warning of Risks of Dealing in the H Shares

Shareholders of H Shares should note that the existing H Shares are expected to be dealt in on an ex-entitlement basis for entitlement to the Bonus H Shares and the Dividend from Thursday, May 31, 2018. If the Bank is unable to obtain any or all the necessary approvals for the Bonus Issue, it will not proceed with the Bonus Issue. If in doubt, investors are recommended to consult their professional advisers.

(c) Ranking of the New Bonus Shares and Fractional Entitlements

The Bonus Shares will, subject to the Articles of Association, when issued, rank *pari passu* in all respects with the H Shares and Domestic Shares then in issue. Holders of the Bonus Shares will be entitled to receive all future dividends and distributions (if any) which are declared and paid after the date on which the Bonus Shares are allotted and issued, but will not be entitled to the dividend to be cleared in 2017 AGM.

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The Bonus H Shares will be issued on pro-rated basis and any fractional shares will be rounded down to the nearest whole unit. No fractional H Shares will be issued and distributed under the Bonus Issue, but will be aggregated and sold for the benefit of the Bank.

Any fractional Domestic Shares arising from the Bonus Issue will be arranged in descending order based on the decimal point, and one share will be offered to each Domestic Shareholder in accordance with such order until the actual number of Domestic Shares offered is equal to the total number of Domestic Shares under the Bonus Issue. In case the number of Domestic Shareholders with the same decimal number exceeds the remaining shares, the shares will be allotted by computer balloting.

(d) Overseas H Shareholders

If on the H Share Record Date, the register of members of the Bank for H Shares reveals any overseas Shareholders, the Bank will make an enquiry pursuant to the Listing Rules regarding the legal restrictions (if any) under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange for such overseas H Shareholders to participate in the Bonus Issue. Upon the enquiry, if the Board is of the view that overseas H Shareholders will not be entitled to the Bonus Issue because of the legal restrictions under the laws or statutory regulations of their jurisdiction or the requirements of the stock exchange in that jurisdiction (such as filing of any registration statement or prospectus or other special formalities), such overseas H Shareholders will be excluded from the Bonus Issue. Under such circumstances, the Bonus H Shares concerned will be consolidated and sold. Any net proceeds of such sale for each overseas H Shareholder, after deduction of expenses, of HK\$100 or more will be distributed in Hong Kong dollars to the relevant overseas H Shareholder, by ordinary post at its own risk, unless the amount to be distributed to any such person is less than HK\$100 in which case it will be retained for the benefit of the Bank.

Based on the register of members of the Bank for H Shares, as at the Latest Practicable Date, there were four H Shareholders whose addresses are located in the Republic of Panama (“**Panama**”). The Bank has been advised by its legal advisor on the laws of Panama that, the securities market in Panama is regulated by the Single Text of Decree-Law No. 1 of 8 of July of 1999 (the “**Securities Act**”) and the regulations (the “**Regulations**”) issued by the Superintendence of the Securities Market (the “**SSM**”). Under the Securities Act and the Regulations, any issuer, offeror, underwriter or agent of an issuer that sells or offers to sell securities to the public in Panama must first register the securities with the SSM, unless the securities or the offer are exempted from registration under the Securities Act. Registration of securities with the SSM is not required under the Securities Act, among other instances, if the securities are (i) sold by means of a “private placement”, (ii) offered to “institutional investors” or (iii) marketed through “correspondent relationships”. Under Article 129(2) of the Securities Act, a “private placement” is any offer or series of offers of securities made to no more than 25 offerees domiciled in Panama, which result in sales to no more than 10 of those offerees

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within a period of one year. The Bank has been further advised by its legal advisor on the laws of Panama that, the issuance of Bonus H Shares to the abovementioned four H Shareholders would most likely be deemed as a distribution but not an “offer” of securities under the Securities Act. However, even if it is characterized as an “offer” of securities, the Bank can issue the Bonus H Shares to the abovementioned four H Shareholders as part of a “private placement” exempt from registration, provided that the H Shares are not and will not be registered with the SSM under the Securities Act and may not be publicly offered or sold within Panama, except as part of a private placement. Accordingly, the Bonus Issue will be extended to such H Shareholders should it remain as an H Shareholder on the H Share Record Date.

(e) Effects on the shareholdings after the Bonus Issue

Set out below is the shareholding structure of the Bank as at the Latest Practicable Date and immediately upon completion of the Bonus Issue (assuming that no new Shares will be allotted or issued prior to the Domestic Share Record Date and the H Share Record Date):

	As at the Latest Practicable Date		Number of Bonus Shares proposed to be issued		Immediately after completion of the proposed Bonus Issue	
	Number of ordinary Shares	%	Number of ordinary Shares	% (as to the total issued ordinary Shares as at the Latest Practicable Date)	Number of ordinary Shares	%
Domestic shares	7,887,319,283	71.38	788,731,928	7.14	8,676,051,211	71.38
SCL Foundation ^(Note 1)	649,042,730	5.87	64,904,273	0.59	713,947,003	5.87
Anhui Energy Group ^(Note 2)	903,798,677	8.18	90,379,868	0.82	994,178,545	8.18
Public holders of Domestic Shares ^(Note 3)	6,334,477,876	57.33	633,447,787	5.73	6,967,925,663	57.33
H shares	3,162,500,000	28.62	316,250,000	2.86	3,478,750,000	28.62
SCL Foundation ^(Note 1)	1,002,604,000	9.07	100,260,400	0.91	1,102,864,400	9.07
H shares held by persons who are accustomed to take instructions from connected person in relation to voting ^(Note 4)	130,000,000	1.18	13,000,000	0.12	143,000,000	1.18
Anhui Energy Group ^(Note 2)	300,145,000	2.72	30,014,500	0.27	330,159,500	2.72
Public holders of H Shares	1,729,751,000	15.65	172,975,100	1.57	1,902,726,100	15.65
	11,049,819,283	100	1,104,981,928	10	12,154,801,211	100

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Note:

1. According to the disclosure of interests forms submitted to the Hong Kong Stock Exchange by the Shanghai Song Ching Ling Foundation (“**SCL Foundation**”) and its affiliates, other public information and relevant information available, as at the Latest Practicable Date, Zhongjing Xinhua Asset Investment Management Co., Ltd. (“**Zhongjing Xinhua**”), Zhongjing Sihai Company Ltd. (“**Zhongjing Sihai**”), Zhongjing Xinhua Asset Management (HK) Co., Ltd. (“**Zhongjing Xinhua HK**”), Wealth Honest Limited (“**Wealth Honest**”) and Golden Harbour Investments Management Limited (“**Golden Harbour**”) currently directly hold 204,346,570 Domestic Shares, 444,696,160 Domestic Shares, 118,590,000 H Shares, 484,014,000 H Shares and 400,000,000 H Shares of the Bank, respectively; Zhongjing Sihai, Zhongjing Xinhua HK, Wealth Honest and Golden Harbour are subsidiaries of Zhongjing Xinhua; Zhongjing Xinhua, Zhongjing Sihai, Zhongjing Xinhua HK, Wealth Honest and Golden Harbour are controlled corporations of the SCL Foundation, and therefore the SCL Foundation is deemed to be interested in the Shares of the Bank held by the aforementioned companies. The SCL Foundation and the aforementioned companies are core connected persons of the Bank, and their holdings of the Bank’s H Shares are not regarded as being held by the public.

The Bank hereby reminds investors that, in information disclosures conducted by the Bank in accordance with the regulatory requirements, the Bank noticed that it was disclosed in the 2014, 2015 and 2016 annual audit reports of the SCL Foundation that it does not participate in the management of Zhongjing Industry (Group) Limited (“**Zhongjing Industry**”), nor does it have significant influence or control over the company; at the same time, according to the disclosures made by Zhongjing Xinhua (a subsidiary of Zhongjing Industry) in its Prospectus of Public Issuance of 2016 Corporate Bonds (First Tranche), in its Prospectus of Public Issuance of 2016 Corporate Bonds (Second Tranche), and in its 2015 and 2016 corporate bonds annual reports, and 2017 interim report as well as its clarification announcement dated August 14, 2017 on the Shanghai Stock Exchange on market rumours in relation to the de facto controller of Zhongjing Xinhua, the SCL Foundation currently holds 97.5% equity interests in Zhongjing Industry and is the de facto controller of Zhongjing Xinhua.

2. As at the Latest Practicable Date, Anhui Province Energy Group Company Limited (“**Anhui Energy Group**”), Anhui Province Wenergy Company Limited (“**Anhui Wenergy**”) and Xing An Holdings Limited (“**Xing An Holdings**”) currently hold 766,694,381 Domestic Shares, 137,104,296 Domestic Shares and 300,145,000 H Shares of the Bank, respectively; Anhui Wenergy and Xing An Holdings are the controlled corporations of Anhui Energy Group. Accordingly, Anhui Energy Group is deemed to have interests in the shares of the Bank held by the above-mentioned companies. Anhui Energy Group and the above-mentioned companies are core connected persons of the Bank, and their shareholdings of the Bank’s H share are not regarded as being held by the public.
3. To the best of the knowledge of the Board of Directors of the Bank and according to the latest information received by the Bank, the Bank has more than 16,300 holders of Domestic Shares, and no single holder of Domestic Shares holds 10% or more of the total issued ordinary share capital of the Bank.
4. According to the disclosure of interests forms submitted to the Hong Kong Stock Exchange by the SCL Foundation and its affiliates and as informed by the email from Zhongjing Xinhua, Zhongjing Xinhua HK proposed to acquire 130,000,000 H Shares of the Bank by way of off-exchange trading on January 4, 2018, the share transfer of which has not been completed yet. According to the agreement between Zhongjing Xinhua HK and the vendor(s), Zhongjing Xinhua HK is entitled to exercise all rights of holders of these 130,000,000 H Shares and the vendor(s) undertake(s) to appoint the person(s) designated by Zhongjing Xinhua HK as its (their) proxy(ies) to attend and vote at the relevant general meeting(s) or class meeting(s) of the Bank in accordance with the instructions of Zhongjing Xinhua HK, if the Bank holds any general meeting(s) or class meeting(s) after the date of the agreement. Accordingly, these 130,000,000 H Shares of the Bank are also considered not to be held by the public under Rule 8.24 of the Listing Rules.
5. Any discrepancies between the percentage of total and sum of items shown in the table are due to rounding.
6. As at the Latest Practicable Date, the Bank has issued 44,400,000 offshore Preference Shares with a par value of RMB100 each. Pursuant to the Articles of Association of the Bank, the holders of offshore Preference Shares of the Bank are not entitled to convene and attend any general meeting of the Bank or vote at any general meeting of the Bank, except as stated in the terms and conditions of the offshore Preference Shares. If any triggering event occurs, the offshore Preference Shares may be converted into H Shares in accordance with the conversion terms. For further details, please refer to the announcements of the Bank dated November 3, 2016 and November 10, 2016.

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(f) Listing and Dealings

Application will be made to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonus H Shares. Subject to the approvals being obtained as set out in this circular (including but not limited to the granting of the aforesaid approval by the Hong Kong Stock Exchange), the Bonus H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. All necessary arrangements will be made for the Bonus H Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Upon the completion of the proposed Bonus Issue, the certificates for the Bonus H Shares and the cheques for the dividend will be despatched by ordinary post to the H Shareholders who are entitled thereto at their own risk. In case of joint shareholding, the certificates for the Bonus H Shares and the cheques for the dividend will be posted to the person whose name stands first on the register of members for H Shares in respect of such joint shareholding. The date of despatch of the certificates for the Bonus H Shares and the cheques for the cash dividend is expected to be Friday, July 27, 2018, and the date of the commencement of dealings in the Bonus H Shares is expected to be Monday, July 30, 2018.

(g) Reasons for the Bonus Issue

The Bank has considered the corresponding advantages and disadvantages of the Bonus Issue. It considers that the Bonus Issue, together with the cash dividend, can achieve a balance between the short-term investment return to the Shareholders and the capital needs for business expansion of and regulatory compliance by the Bank, and it is in the best interests of the Bank and its Shareholders as a whole, for the following reasons:

- (1) Although Chinese macro economy has stepped into a new normal, the operating risks of banking industry have not yet been alleviated effectively. Pursuant to the Guidelines on Strengthening the Quality Development of Financial Institutions in Banking Industry issued by the CBRC Anhui Bureau (Wan Yin Jian Fa [2018] No.2) (中國銀監會安徽監管局關於加強法人銀行業金融機構質量建設的指導意見(皖銀監發[2018]2號)), commercial banks should prioritize increasing profit retention to replenish core capital, standardize profit distribution policy and set down a reasonable profit retention-to-cash dividend ratio.
- (2) Pursuant to the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (商業銀行資本管理辦法(試行)) promulgated by the CBRC, the Bank is required to maintain a core Tier 1 capital adequacy ratio at no less than 7.5%. As the Bank is the largest financial institution in Anhui Province in terms of total assets, it must satisfy higher standards for additional

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capital of systemically important bank and countercyclical capital buffer. Therefore, to satisfy the regulatory requirements, the Bank must maintain its core Tier 1 capital adequacy ratio at 8% or above. With the rapid business development of the Bank in the recent years, the Bank's core Tier 1 capital adequacy ratio was trending downwards in the past three years, being 9.8%, 8.79% and 8.48% as at December 31, 2015, 2016 and 2017, respectively.

- (3) The Bank has tried to raise funds to replenish its core Tier 1 capital, by way of H Share placings and initial public offering of A Shares since 2014, but all in vain. Channels of replenishment of core Tier 1 capital through external funding and resources are limited. Therefore, the Bank's endogenous capital becomes the only replenishment channel to satisfy the short-term needs of the Bank.
- (4) While the share price per H Share on an ex-entitlement basis might be reduced by the same proportion and the Bonus Issue are not expected to increase the H Shareholders' proportionate interests in the Bank, the Bonus Issue will increase the number of H Shares to be held by the H Shareholders by capitalizing retained earnings.

The H Shareholders may choose to retain or dispose of the Bonus H Shares at their discretion. **The H Shareholders are advised to consult their professional advisers if they are in doubt about the corresponding advantages and disadvantages of retaining or disposing the Bonus H Shares.**

(h) Expected Timetable

Expected timetable for the issuance of Bonus H Shares and other matters are set out on page 4 of this circular.

The Bank endeavors to make payment for cash dividend and issue the Bonus Shares to the Shareholders as soon as possible. However, the Bank must comply with the relevant legal procedures and requirements under the PRC laws to effectuate the profit distribution plan for 2017, including approvals from the CBRC, the PRC tax authorities and the PRC foreign exchange administration, which will be time-consuming and based on the past experience of the Bank, will usually take approximately one and a half or two months to obtain. Upon obtaining all the aforesaid approvals, the Bank will work with the H Share registrar for the dispatch of certificates of the Bonus H Shares and cheques for the cash dividend.

Dates or deadlines specified in this circular are indicative only and may be varied by the Bank. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

LETTER FROM THE BOARD OF DIRECTORS

(i) Statement to be made on acquisition of Shares

The Bank shall ensure that all its listing documents and share certificates include the statements stipulated below and shall instruct and cause its share registrar not to register the subscription, purchase or transfer of any of its Shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such Shares bearing statements to the following effect:

- (i) the acquirer of Shares agrees with the Bank and each of its Shareholder, and the Bank agrees with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies and its Articles of Association;
- (ii) the acquirer of Shares agrees with the Bank, each of its Shareholders, Directors, Supervisors, president and officers, and itself (acting for the Bank and for each Director, Supervisor, president and officer) agrees with each Shareholder, to refer all differences and claims arising from its Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with its Articles of Association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- (iii) the acquirer of Shares agrees with the Bank and its Shareholders that H Shares in the Bank are freely transferable by the holder of such Shares; and
- (iv) the acquirer of Shares authorizes the Bank to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders stipulated in the Articles of Association.

(j) Closure of Register of Members

In order to determine the Shareholders who are entitled to receive the aforementioned final dividend of 2017, the register of members of the Bank will be closed from Saturday, June 2, 2018 to Thursday, June 7, 2018 (both days inclusive). In order to be entitled to the aforementioned final dividend (subject to the approval of the Shareholders), unregistered H Shareholders of the Bank shall lodge relevant share transfer documents with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, June 1, 2018.

LETTER FROM THE BOARD OF DIRECTORS

(k) Waiver from Strict Compliance with Requirements under Rule 19A.38 of the Listing Rules

Pursuant to Rule 19A.38 of the Listing Rules, PRC issuers are required to obtain shareholder approval by a special resolution at a general meeting and approvals by shareholders of each class of shares at separate class meetings before any allotment, issue or grant of shares, whether such shares are issued on a pro rata basis or not.

The Bank has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to the Bank a waiver from strict compliance with Rule 19A.38 of the Listing Rules with respect to the requirement to convene separate class meeting for the Bonus Issue.

14. General Mandate for the Issue of Shares of the Bank

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

Details of the general mandate are set out as below:

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

- (1) Subject to the conditions set out in (2) below, the Board is hereby authorized to approve, allot, issue, grant and/or otherwise deal with Shares (overseas-listed foreign investment shares and/or Domestic Shares (including A Shares)), securities convertible into Shares, options and warrants that carry rights to subscribe for any Shares or securities that are convertible into Shares, or other securities with rights to subscribe for or convert to Shares, separately or at the same time during the Relevant Period (as defined below). Notwithstanding the fulfillment of the conditions set out in (2) below, if the allotment of voting shares will result in a de facto change of control of the Bank, the Board shall separately obtain authorization by way of a special resolution in advance before making such an allotment.

LETTER FROM THE BOARD OF DIRECTORS

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

(3) For the purposes of this resolution:

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

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

(4) The Board is hereby authorized to determine the details of the issuance plan, including but not limited to: (a) the class and number of Shares proposed to be issued; (b) the pricing basis and/or the offer price (including the price range); (c) the date of opening and closing of the issuance; (d) the specific use of the proceeds raised; (e) the recommendation, agreement and share options to be made or granted for the exercise of the said power; (f) other content to be included in the detailed issuance plan as required by the relevant laws and regulations and other regulatory documents, the relevant regulatory authorities and the local stock exchange.

(5) The Board is hereby authorized to implement the issuance plan and deal with the matters related to an increase in the registered capital of the Bank so as to reflect the Shares authorized to be issued by the Bank under this matter, and to make such amendments as it deems appropriate and necessary to the provisions related to the issuance of Shares and registered capital in the Articles of Association, and to adopt and complete any other actions and procedures that are necessary for the completion of the increase in the registered capital of the Bank.

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(II) Matters relevant to the Mandate

In order to enhance the efficiency of decision-making, reduce internal approval procedures and grasp market opportunities, in respect of the general mandate to issue Shares, it is proposed to the Board and in turn to the general meeting to approve the authorization to the Board and any persons authorized by the Board to deal with the matters in connection with the general mandate to issue Shares. The specific details of the mandate given to the authorized persons will be separately determined upon the exercise of the general mandate by the Board under this resolution.

(III) Other matters

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

15. Amendments to the Articles of Association

The Bank proposes to amend the Articles of Association in accordance with the requirements under various documents, which include the “Notice of Organization Department of CPC Central Committee and SASAC Party Committee of State Council Regarding the ‘Notice of Solidly Pushing the Requirement of State-Owned Enterprises for Party Building to be Incorporated into the Articles of Association’ Forwarded by the Organization Department of Anhui Provincial Committee of CPC and Anhui SASAC Committee of CPC” (Wan Zu Tong Zi [2017] No. 18), and the “Main Contents on the Requirement for Party Building to be Included in the Articles of Association of Provincial State-run Enterprises (Model Text)”, by incorporating the requirement for Party building into the Articles of Association as a move to confirm the statutory status of the Party organization in its corporate governance structure, and effectively unify the strengthening of Party’s leadership with the improvement of corporate governance.

Specific contents of proposed amendments are as follows:

(1) Amendments to Article 1 (as indicated in bold letter and underlined)

Article 1 The Articles of Association are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Commercial Banking Law of the People’s Republic of China (the “Commercial Banking Law”), the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (the “Special Regulations”), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), the Constitution of the Communist Party of China and other relevant laws, administrative regulations, departmental rules and regulatory documents, for the purpose of regulating the organisation and activities of Huishang Bank Corporation Limited (the “Bank”), and protecting the legitimate rights and interests of shareholders and stakeholders of the Bank.

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According to the provisions of the Constitution of the Communist Party of China and requirements of superior Party organizations, an organization under the Communist Party of China shall be established in the Bank. The Party organization shall act a leading role in the Bank to lead the development direction, take a general control and promote the implementation of policies, and discuss and make decisions on material issues of the Bank. Persistence in and implementation of the construction of the Communist Party shall be planned with the reform development of the Bank. Party organizations and working organs shall be established together. Persons-in-charge of Party organizations and Party workers shall be designated correspondingly to carry out the construction of the Communist Party. Party organization activities of the Bank shall be conducted in accordance with the Constitution of the Communist Party and relevant policies and requirements.

(2) Adding “Party Organization of the Bank” as Chapter 12 with a total of 9 articles

Article 294 The Bank established Huishang Bank Corporation Limited Committee of the Communist Party of China (the “Party Committee of the Bank”) and the Discipline Inspection Committee (the “Discipline Inspection Committee of the Bank”) with Party organizations set up in various branches and sub-branches under the jurisdiction of the Party Committee of the Bank.

Article 295 According to the requirements of the Constitution of the Communist Party, as approved by the superior Party organization, the Party Committee of the Bank shall consist of 7 to 11 members, including 1 secretary and 2 deputy secretaries (including 1 deputy secretary with specific duty). The Discipline Inspection Committee of the Bank shall consist of 7 to 9 members, including 1 secretary and 1 deputy secretary. Members of the Party Committee of the Bank and the Discipline Inspection Committee of the Bank are elected at the congress for a term of 4 years.

1. Secretary of the Party Committee and chairman of the Board of Directors shall be the same individual and Party member president shall also serve as the deputy secretary of the Party Committee.
2. Eligible members of the leading group of the Party Committee of the Bank can join the Board of Directors, Board of Supervisors, and Senior Management through statutory procedures, while eligible Party members of the Board of Directors, Board of Supervisors, and Senior Management can also join the Party Committee of the Bank in accordance with relevant regulations and procedures.

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Article 296 Before the Board of Directors or Senior Management make decisions on material issues, those issues shall be considered and discussed by the Party Committee of the Bank. Material operation and management issues of the Bank must be considered and discussed by the Party Committee and then submitted to the Board of Directors or Senior Management for making decisions. Main contents considered and discussed by the Party Committee involved in decisions on material issues include:

1. The Bank's implementation of the Party's route, guidelines and policies, national laws and regulations, major initiatives on important decision from superior authority.
2. The Bank's development strategy, mid-to-long term development plan, guidelines for production and operation and the annual plan.
3. The Bank's principle and directional issues on asset restructuring, transfer of property rights, capital operations, significant investment and construction of major projects.
4. The Bank's formulation and modification of important reform programs and management system.
5. Merger, division, change or dissolution of the Bank, establishment and adjustment of internal management organs, and establishment and cancellation of affiliated branch organs.
6. The Bank's major issues, such as re-election plan of members of the Board of Directors or Senior Management and candidates.
7. Appointment, assessment, remuneration, management and supervising of Directors and senior and mid-level management of the Bank.
8. Major issues involving staff immediate interests.
9. The Bank's important measures taken that involve the political responsibility and social responsibility of the Bank, such as safety production of great importance and maintenance of stability.
10. The Bank's material issues in respect of human resources management.
11. Other material issues subject to the consideration and discussion of the Party Committee of the Bank.

Article 297 The Party Committee of the Bank shall convene a Party Committee meeting to discuss relevant issues and adhere to collective leadership, democratic centralism, individual deliberation and resolution by meeting when making decisions. Issues shall be made scientifically, democratically and in accordance with the law.

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Article 298 The Party Committee of the Bank shall systematically plan, make an overall coordination in and promote the construction of the Communist Party of the Bank. The Bank shall incorporate the construction of the Communist Party into its mid-to-long term plan and annual plan, and formulate annual work plan (main points) for the construction of the Communist Party to make a systematic deployment and arrangement for the construction of the Communist Party of the Bank.

Article 299 Working organs of the Communist Party and Party workers shall be incorporated into the structure of management organs and staff of the Bank. The Bank shall establish specialized working organs for Party affairs and the number of specialized Party workers shall in-principle not less than 1% of the total number of staff.

Article 300 The operational funds for the implementation of the construction of the Communist Party shall not less than 1% of the amount of the total staff salaries for the previous year and be expensed before tax under the administrative expenses of the Bank.

Article 301 The Party Committee of the Bank shall exercise the leadership authority over personnel affairs of cadres and the management power over important cadres. The Bank shall strengthen the selection and appointment of personnel, strictly implement democratic centralism, and stringently standardize the procedures for resolution and nomination, organization and examination, as well as discussion and decision.

The Party Committee of the Bank shall take a leading and gatekeeping role in the selection and appointment of personnel that meet the market needs to determine standards, standardize procedures, participate in examination and nominate candidates.

The Bank shall insist on the combination of the principles of management of cadres by the Party and the selection of operation managers by the Board of Directors and the right of employment by the operation managers. The Party Committee of the Bank shall consider and comment on the candidates nominated by the Board of Directors or president, or recommend candidates to the Board of Directors or president. The Party Committee, together with the Board of Directors, shall evaluate the proposed candidates and put forth comments and suggestions collectively.

Article 302 The Discipline Inspection Committee of the Bank shall fulfill its responsibilities of supervision, discipline execution and accountability. The Discipline Inspection Committee of the Bank shall assist the Party Committee of the Bank in carrying out works on honest governance and anticorruption, and enhance Party organizations' and cadres' compliance with the rules and regulations under the Constitution of the Communist Party within the Party Committee of the Bank, working organs of the Party and their jurisdictions, and the supervision and check of fulfillment of responsibility. The Committee shall meet the "Two-oriented" requirements, apply the "four kinds of forms" to strictly supervise and execute discipline and focus on its major business and responsibility of strengthening the team building.

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Save for the proposed amendments above, the contents of other chapters and articles will remain unchanged. If the numbering of any chapter or article of the Articles of Association is affected as a result of the amendments to the relevant chapters and articles, the numbering of the chapters or articles of the existing Articles of Association shall be adjusted accordingly, and the cross references to the numbering of relevant chapters or articles of the Articles of Association shall be changed accordingly.

The proposed amendments to the Articles of Association are prepared in Chinese, and translated into English. In the event of any discrepancy between the English translation and the Chinese version of the Articles of Association, the Chinese version shall prevail.

Despite the provisions relating to Party construction work stipulated in the Articles of Association, the Board of Directors and management of the Bank will decide whether or not to adopt the opinions and advice provided by the Party Committee in the day-to-day management and decision-making of the Bank in view of the actual situations of the Bank. The relevant duties and powers of the Board of Directors and management stipulated in the Articles of Association will remain unchanged.

III. THE 2017 ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held at the Hall, 11/F, Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC at 9:00 a.m. on Tuesday, May 29, 2018, to consider and, if thought fit, to pass resolutions in respect of the matters set out in the notice of the 2017 Annual General Meeting. A proxy form and a reply slip will be dispatched to the Shareholders in accordance with the Listing Rules. The notice of the 2017 Annual General Meeting is set out on pages 69 to 73 of this circular.

Whether or not you intend to attend and/or vote at the 2017 Annual General Meeting, you are requested to complete and return the proxy forms in accordance with the instructions printed thereon. If you intend to attend the 2017 Annual General Meeting, you are required to complete and return the accompanying reply slips to the H Share Registrar (for H Shareholders) or the registered office and principal place of business of the Bank in the PRC (for Domestic Shareholders) on or before Wednesday, May 9, 2018. The reply slips may be delivered by hand, by post or by fax to the H Share Registrar (for H Shareholders) or the registered office and principal place of business of the Bank in the PRC (for Domestic Shareholders). Completion and return of the proxy forms will not preclude a Shareholder from attending and voting at the 2017 Annual General Meeting or any adjournment thereof, nor will completion and return of the reply slips preclude a Shareholder from attending and voting at the 2017 Annual General Meeting or any adjournment thereof.

IV. RECOMMENDATIONS

The Board considers that the resolutions to be proposed at the 2017 Annual General Meeting are in the interests of the Bank and the Shareholders as a whole and accordingly recommends that the Shareholders vote in favor of all the resolutions to be proposed at the 2017 Annual General Meeting as set out in the notice of the 2017 Annual General Meeting.

LETTER FROM THE BOARD OF DIRECTORS

V. ADDITIONAL INFORMATION

Apart from the consideration and approval of the aforementioned resolutions, Shareholders will be debriefed by the Bank in respect of the *Report on Related Party Transactions for 2017* (which is set out in Appendix III to this circular), the *Duty Report of the Independent Non-executive Directors for 2017*, the *Supervisory and Appraisal Report by the Board of Supervisors on the Performance of Duties by the Board of Directors and its Members for 2017* (which is set out in Appendix IV to this circular), and the *Supervisory and Appraisal Report by the Board of Supervisors on the Performance of Duties by the Senior Management and its Members for 2017* (which is set out in Appendix V to this circular) at the 2017 Annual General Meeting.

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

By order of the Board
Huishang Bank Corporation Limited*
Wu Xuemin
Executive Director, Acting Chairman

Hefei, Anhui Province, the PRC
April 13, 2018

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

2017 witnessed a generally stabilized Chinese economy yet with persistently high downward pressure. The favorable economic development in Anhui Province and Jiangsu Province has brought new opportunities for the development of the banking industry, although accompanied by challenges arising from the uncertainties around significant changes in the regional business environment. At the same time, pressure on the banking industry has mounted year by year due to tighter regulation, shrinking spreads, financial disintermediation and intensified competition. In this environment, the Board of Directors strictly implemented the resolutions of the general meeting during the past year in accordance with relevant laws and regulations and the Articles of Association of the Bank, led all staff across the Bank to focus on the major task of “transformation and upgrading” and to launch the “Year of New Finance Construction” campaign in an innovative manner, thereby achieving satisfactory business performance and continuously enhancing shareholders’ value.

As at the end of December 2017, the Bank recorded total assets of RMB908.1 billion, representing an increase of 20.31% as compared with the beginning of the year; balance of loans of RMB314.694 billion, representing an increase of 13.46% as compared with the beginning of the year; and balance of deposits of RMB512.808 billion, representing an increase of 10.99% as compared with the beginning of the year. The non-performing loan ratio was controlled at 1.05%. The Bank’s net profit increased by 11.66% to RMB7.812 billion. The Bank ranked No.168 in “Top 1000 World Banks” by The Banker, a UK magazine, which was 20 places up from the previous year. The Bank also ranked fifth among commercial banks under the GYROSCOPE Evaluation System of the China Banking Association.

The work report of the Board of Directors for 2017 is presented as follows:

I. STRENGTHENING STRATEGIC MANAGEMENT AND ACCELERATING TRANSFORMATION AND UPGRADING

The year 2017 is a crucial year for Huishang Bank to implement the 2015-2019 five-year strategic plan. To achieve the strategic goals of becoming a mainstream bank within the province and a first-tier regional bank, the Board of Directors continued to center on the main line of transformation and upgrading and further promoted the “Year of New Finance Construction” campaign throughout the Bank, to facilitate transformation and upgrading and enhance competitiveness through innovation, further strengthen its capability to support the real economy, achieve more balanced business development, and optimize its structural adjustment.

Firstly, persisting in returning to the origin and enhancing the capability to support the real economy. We continued to increase the effective investment in key areas and key links in economic and social development. The Bank increased RMB33.31 billion in loans for the whole year and enhanced its support for the local real economy year by year. The Bank explored a new bank-government cooperation model, innovated and launched the “Promotion-Replacing-Adjustment (調轉促)” industrial funds, PPP Quanchengtong (全程通), and government procurement of services to meet the diversified financing needs of the government. The Bank innovated corporate banking products, vigorously promoted debt financing

instruments, asset securitization, trade banking business, and improved its integrated financial service capabilities. It served small and micro enterprises by achieving the goal of “Three No-Less-Than” for small and micro enterprise loans, and increasing personal business loans, “Agricultural-Related” loans and micro-loans for targeted poverty alleviation. In order to support the development of local real economy, the Board of Directors led the Bank to actively explore all-around, multi-level and integrated financial service programs to give full play to its strength in providing financial support as a local mainstream bank.

Secondly, insisting on transformation and upgrading to promote balanced development of all businesses. With integrated finance as the starting point, we strengthened the in-depth cooperation with key industries and key customers, innovated investment banking, cross-border investment and financing and custody services and maintained the traditional advantages in public services, thus achieving the top market share of public deposits in the province for ten consecutive years. With inclusive finance, consumer finance and mobile finance as the main lines, we accelerated the promotion of retail banking, achieved the integrated development of online and offline channels, improved service quality year by year, and enriched our product portfolios. As at the end of 2017, total AUM of personal banking business exceeded RMB200 billion, and the contribution of retail business to the development of the Bank further increased. In compliance with the new regulatory rules, the Bank promoted its interbank, financial markets, and asset management businesses. It focused on the existing customers and quality assets outside the Bank and centered on asset-light and transaction-oriented standardized asset placement. Through accelerating the transformation and upgrading of public, retail and interbank businesses, it promoted the balanced development of various businesses.

Thirdly, insisting on an innovation-led model and using innovation to promote structural adjustment. In 2017, the Bank bore fruit in its innovative measures consecutively. It has obtained qualifications such as the international factoring qualification, the custodian qualification for the Interbank Bond Market of the Shanghai Headquarter of the PBOC and the primary dealer qualification for the open market, completed the first CMBS order of Beijing Financial Asset Exchange in the country, successfully became the first batch of city commercial bank Type A lead underwriters of debt financing instruments and completed the first debt-to-equity swap project of city commercial banks. The Bank also innovated and established a “five-in-one” small and micro digital financial service system, and other innovative products such as “Tax e-Finance (税e融)”, “Micro P2P Lending (微网贷)” and “Trust e-Loan (信e贷)” were well received by customers. We innovated and developed payment and settlement services such as Huiyin ePay, integrated payment, and individual liability commercial cards. The Bank vigorously promoted the construction of personal mobile financial gateways, launched direct banking products such as “Xinbao P2P Loan (信保网贷)”, “Enjoying Shopping (享花)”, and “Tianji Smart Investment (天机智投)” and launched a cross-industry “account+” Internet integrated service solution. We introduced innovative products such as the “Integrated Payment for Separate Loans (分贷统还)” targeted poverty alleviation loan and rural “Two-Rights (两权)” mortgage loans, promoted the innovative “banking-renting integration” model and explored diversified operations to bring into play a synergistic effect. The in-depth promotion of innovation work has effectively promoted the optimization and adjustment of assets, liabilities and customer structure, laid a solid foundation for the achievement of strategic goals, and opened up broad space for future strategic development.

II. OPTIMIZING CORPORATE GOVERNANCE TO ENSURE STANDARDIZED OPERATION OF CORPORATE GOVERNANCE MECHANISM

In 2017, in response to the changes in regulatory policies and to meet the needs of the Bank in its operational development, the Board of Directors consistently focused on various key tasks including optimizing the corporate governance structure and ensuring compliance of the Bank's corporate governance mechanism.

Firstly, gradually optimizing corporate governance mechanism. In 2017, the Board of Directors considered and approved the proposals to amend the Bank's Articles of Association, Rules of Procedure of the general meeting and other constitutional documents, and promptly reported the same to the general meeting for approval, thus further optimizing the Bank's corporate governance system. The Bank strictly abided by regulatory requirements, carried out special activities under the theme of the "Year for Optimizing Corporate Governance" and urged relevant business units to accomplish 22 tasks, resulting in a refined corporate governance structure. While clearly defining the scope of duties and responsibilities of the general meeting, the Board of Directors and the senior management, the Bank also improved its authorization system and authorization scheme, aiming to realize standardized operation of the corporate governance structure constituted by the general meeting, the Board of Directors, the Board of Supervisors and the senior management, to provide strong support for the implementation of the corporate strategy. During the year, the Bank held one general meeting, at which 18 proposals were considered and 18 resolutions were formed. Seven Board meetings were held, at which 49 proposals were considered and 49 resolutions were formed. 19 meetings were held by the special committees under the Board of Directors, at which 76 proposals were considered and 76 resolutions were formed. All these provided strong support for the Bank's business development.

Secondly, steadily promoting structural improvement of the Board of Directors. The Bank resolutely implemented the decision of the provincial Party Committee, considered and approved the proposal on the succession of Chairman, and carried out relevant work regarding Chairman succession in accordance with laws and regulations, thereby achieving seamless handover of the Board of Directors' work, which ensured the stability of operations and safeguarded the interests of shareholders and investors as a whole. The Bank also studied and formulated relevant work plans for filling vacancies of the Directors and changing session of the Board of Directors smoothly, so as to strengthen the structure of the Board of Directors and the relevant special committees. In addition, the Bank gave prominence to the protection of consumer rights and interests by converting the Development Strategy Committee under the Board of Directors into the Strategic Development and Consumer Rights Protection Committee. The Bank strictly followed the requirements of the Articles of Association and relevant systems, assessed the annual performance of the Directors in 2016, and formulated an evaluation report which was subsequently submitted to the general meeting for review, aiming to urge the Directors to perform their duties in accordance with applicable laws and regulations and to improve their scientific decision-making level. Moreover, the Bank conscientiously assessed the performance of the senior management to continuously enhance performance management and allow the incentive and constraint mechanism to give full play to its role as a "baton".

Thirdly, constantly enhancing the standard of information disclosure. In accordance with the requirements stipulated in the domestic and overseas supervision systems and the Bank's relevant systems and methods, the Bank duly held press conferences and road shows to present its operation results, and timely disclosed its annual reports, interim reports and audit reports via the Bank's official website, the website of the Hong Kong Stock Exchange and other channels, to provide all shareholders and investors with truthful, accurate, complete and timely information in respect of the Bank's operations and management. The Bank also stepped up its efforts in the establishment of the information disclosure management system by formulating administrative measures for insider information and insiders, introducing a work mechanism regarding insiders' commitment to confidentiality, and strictly implementing the information reporting and filing system, so as to further standardize the procedure of information disclosure. During the year, the Bank made statutory and voluntary information disclosure in 61 occasions, which disclosed various major issues, operating results and work highlights of the Bank in a comprehensive manner, and fully safeguarded the right to information of shareholders and investors.

Fourthly, strengthening the management of shareholders' equity interests according to laws and regulations. Consistently abiding by regulatory requirements, the Bank strictly implemented the Provisional Measures for Administration of Equity of Commercial Banks, and put its management efforts in practice to effectively prepare for the amendments to the Articles of Association, equity management, information disclosure and other relevant systems as well as the adjustments to the operational procedures. The Bank also conducted verification and recognition of shareholder eligibility in accordance with laws and regulations, while seeking to establish a mechanism for the identification of holders of H shares. In addition, the Bank further fine-tuned the procedures for the inquiry and pledge of equity interests. The Bank further enhanced its information-driven equity management by promoting data migration of its core system for equity management. Furthermore, the Bank strengthened the guidance for the equity management business of its branches and sub-branches to improve their equity management standards. At the same time, the Bank carried out investor relationship management work in an in-depth manner to foster a sound business development environment.

III. STRENGTHENING RISK MANAGEMENT AND ACHIEVING GOOD OVERALL ASSET QUALITY

In 2017, the three major risk sources, namely credit risk, market risk and operational risk, were under greater regulatory pressure. The Bank has taken various measures to deal with the downward pressure on asset quality, resolve the impact of asset price fluctuations and strictly control non-compliance operations. On the one hand, the Board of Directors formulated basic system documents including the 2017 portfolio risk limit management plan, risk management policy guidance, risk appetite statement, and guidance on compliance management in accordance with changes in internal and external environment to further improve the comprehensive risk management and internal control system. And on the other hand, the Board of Directors and relevant special committees paid close attention to all risk factors, guided and urged the Bank to strictly implement risk management and internal control policies, and strictly abide by regulatory requirements. At the same time, the Board of Directors and relevant

committees performed their risk management audit duties in accordance with regulations and strengthened the control of risks from the source. The relevant departments were urged to carry out their risk control responsibility, improve assessment methods, increase assessment efforts to truly reflect the quality of assets and strictly control credit risks. Relevant departments were guided to further improve the management of liquidity risk and operational risk. Under the guidance of the Board of Directors, and with the concerted efforts of the whole Bank, we achieved outstanding overall quality of assets, and generally controllable risks.

IV. IMPROVING INTERNAL CONTROL SYSTEM TO SUPPORT STABLE AND SUSTAINABLE OPERATIONS

The Board of Directors has improved the internal control management in the following five aspects through system construction, enhanced implementation and reinforced supervision to ensure sound and sustainable business development. First, further improvement in internal control environment. The corporate governance system with the Articles of Associations as the core was further perfected, and the governance mechanism operated in a standardized manner. A comprehensive internal control management framework has been established and the internal control system has been optimized gradually. The Bank strictly followed out the reporting system for major audit findings and internal control defects, regularly reviewed the annual and interim internal control audit reports and prepared the 2017 audit work plan. It also considered and passed the guidance on compliance management for 2017. The selection, appointment and replacement of new accountants were carried out, and the first rotation of accountants since the establishment of the Bank was successfully completed, ensuring the continuity and stability of internal control management. Second, gradual enhancement of risk identification and assessment capabilities. The Bank was committed to the establishment of a comprehensive, continuous and standardized risk management system and used risk assessment methods and tools to identify and monitor various types of risks, thus promoting scientific and accurate risk assessment. In 2017, we improved the liquidity risk monitoring and alert system and launched an operational risk management system. We strengthened valuation management, actively responded to market risks, and prevented and controlled cross-financial risks and Internet financial risks. We continuously strengthened the monitoring of public opinions and identified reputational risks in a timely manner. Third, adoption of more effective internal control measures. We supervised the auditing department to carry out internal auditing around key areas and key links such as credit, operations and finance. During the year, 36 auditing projects and 16 audit reviews were carried out to accomplish the transformation of the auditing system and utilize the audit results. We strictly implemented the “Strengthening the Three Bases and Attaining the four Adequacies (三基四到位)” special governance activities and tightened accountability for violations. In order to reinforce the management of related party transactions, we formulated the 2017 business plan for daily related party transactions and reviewed the proposals for major related party transactions in accordance with regulations. Fourth, smoother information exchange and feedback. For business management, we established a sound internal information reporting and filing mechanism, further improved the information system and the level of information management. For shareholders, investors, and other interested parties, we disclosed information in accordance with laws and regulations to increase transparency and protect the right to legal information of all parties. For the regulatory

and competent authorities, we submitted information on time and in good quality, abided by the major events reporting mechanism to report related cases in a timely manner. Fifth, strict enforcement of supervision, evaluation and rectification. We carried out regular and ad hoc supervision and evaluation and ensured full coverage of key areas with focuses on key links. We adhered to the basic requirements of strict discipline management and promoted the establishment of internal control management rules for performance-linked assessment, instant rectification of identified issues and individual accountability.

V. STRIVING TO COMPLETE A-SHARES IPO AND EXPAND CAPITAL REPLENISHMENT CHANNELS

According to the mandate of the general meeting, the Board of Directors endeavored to promote the listing of our A-shares by collaborating with dozens of internal and external entities and organizing multiple working meetings to provide comprehensive support for the intermediaries to carry out independent due diligence and special inspections, so as to ensure compliance with regulatory requirements in respect of the authenticity, accuracy, completeness and timeliness of the disclosure of application materials. We closely communicated with the CSRC, intermediaries, shareholders and Directors to overcome multiple difficulties and submitted the application materials on schedule. We actively responded to the challenges in the IPO application process, adjusted our strategy in a timely manner, and worked hard to proceed with the application to strive to expand our capital replenishment channels through the A-share market, in order to lay a sound foundation for the medium-and long-term development of the Bank under the constraints on capital adequacy ratio. During the application process, we published announcements and disclosed relevant work processes in a timely manner. In addition, the Board of Directors researched and formulated the Capital Replenishment Plan for 2017-2019, striving to open up diversified capital replenishment channels.

In 2017, according to the mandate of the general meeting, and in compliance with the provisions of relevant laws and regulations and the Bank's Articles of Association, the Board of Directors overcame multiple difficulties, actively responded to challenges, led the Bank to adhere to the main task of transformation and upgrading, and comprehensively promoted the "Year of New Finance Construction" campaign, realizing a continuous increase in profits, outstanding asset quality, stable and sustainable operations, and an increase in shareholders' value year by year. In 2018, the Board of Directors will continue to maintain its strategic focus, uphold integrity and diligence, dedicate to its duties, perform its tasks in compliance with laws and regulations, and guide the entire Bank to follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. It will fully implement the spirit of the Party's 19th National Congress, the Economic Conferences of the Central Government and the provincial government, the national and provincial financial work conferences and the banking supervision work conferences, to pursue progress amid stability, prevent and control risks, strengthen management, enhance innovation, adjust the structure, return to the origin and focus on the main business, with an aim of building itself into a modern bank with high quality development.

In 2017, the Board of Supervisors made efforts to strengthen coordination and cooperation with the Board of Directors and senior management around the key works of the Bank and the annual work plan of the Board of Supervisors determined at the general meetings, earnestly performing its supervisory duties and fully playing its supervisory role.

I. MAJOR WORKS DURING 2017

- (1) Legally holding meetings, deliberating various issues and earnestly performing supervisory duties. In 2017, the Board of Supervisors conscientiously performed its duties and responsibilities conferred by the laws and regulations and the Articles of Association of the Bank by timely convening various meetings, and it standardised the procedures and agenda of the meetings and deliberated relevant proposals in a prudent manner , further strengthening the supervisory and evaluation duties of the Board of Supervisors and achieving standardized and efficient operation.
 - A. Holding regular meetings of the Board of Supervisors. Throughout the year, a total of 8 meetings of the Board of Supervisors were held, 36 proposals and reports were considered, 8 resolutions were concluded and 39 reports were reviewed. Such proposals and reports dealt with, among others, the operation of the Bank, the performance evaluation of Directors, Supervisors and senior management, the profit distribution plan, internal control and risk management. All issues discussed were well-prepared. All members made full preparations before the meetings and actively participated in the meetings of the Board of Supervisors, and provided in-depth discussions and independent opinions on each of the issues discussed thereat. They exercised voting rights prudently in accordance with laws, and performed their duties faithfully, meticulously and diligently, ensuring the adequacy of the proceedings of the Board of Supervisors as well as a scientific and professional supervision.
 - B. Giving full play to the functions of the special committees. The Nomination Committee and the Supervisory Committee under the Board of Supervisors in 2017 functioned effectively and showed their professional advantages. They provided preliminary review opinions on, among others, the nomination of Supervisor candidates, finance, risk management as well as internal control, and strongly supported the legal and efficient performance of duties by the Board of Supervisors. Throughout the year, 5 meetings of the Nomination Committee were held and 18 proposals were considered thereat; and 6 meetings of the Supervisory Committee were held and 17 proposals were considered thereat.

- (2) Attending relevant meetings, standardizing daily supervision and enhancing its effectiveness. The Board of Supervisors attended the general meetings as well as the relevant meetings of the Board and senior management for understanding and a reasonable and standardised supervision of the operation and management of the Bank as well as other major events.
- A. Attending general meetings in accordance with rules and conducting on-site supervision over the decision-making of the meetings. In 2017, the Bank held an annual general meeting and considered 18 proposals. Some of the Supervisors attended the meeting and carried out on-site supervision over the legitimacy and rule compliance of the contents, proceedings and voting process of the meeting. According to the requirements under the Articles of Association of the Bank, the Board of Supervisors also presented its annual work report and the written report on the appraisal of the Supervisors' performance to the annual general meeting, which had been passed in the meeting.
- B. Attending related meetings of the Board and the senior management, and strengthening the supervision over duty performance of Directors and chief executives. The Board of Supervisors attended the relevant meetings of the Board, and supervised the decision-making procedures of the Board, the implementation of the resolutions of the general meetings and the speeches delivered by Directors at the meetings. The Board of Supervisors assigned members to attend the relevant meetings of the senior management, review the relevant materials and resolutions of the meetings, and to conduct on-site or off-site supervision over the implementation of the Board decisions of the Board and general meetings by the senior management and its performance of duties on operation and management within its functions and powers, ensuring that the operation and management of the Bank is consistent with the development strategies, risk appetites and decision-making processes and procedures established by the Board and general meetings. In its daily operation, the Board of Supervisors also strengthened its supervision over centralized procurement by the head office, and dispatched representatives to attend more than 70 meetings of various kinds for centralized procurement, exercising on-site supervision over the legitimacy and compliance of the bidding and bid process to certain extent.
- (3) Centering on supervisory focuses and earnestly conducting all kinds of supervision work through multiple measures. The Board of Supervisors was supervision-centric and established a supervision system primarily over duty performance, finance, internal control and risk management, fully covering statutory supervision issues. All supervision work was carried out in an orderly manner.
- A. Continuing to strengthen strategy oversight and facilitate the post-implementation assessment mechanism of the strategy. The Board of Supervisors continuously monitored the Board's strategy evaluation for 2016,

closely tracked the strategy implementation process, reviewed the strategy implementation assessment report, and comprehensively evaluated the completion of the quantitative objectives for strategic development. Emphasis was paid on, among others, asset quality, business index setting, and business structure transformation. Moreover, the Board of Supervisors put forward opinions on how to improve the strategy planning system, enrich the means of strategy monitoring, establish the strategy adjustment mechanism and strengthen the soft power, and gave feedback to the Board.

- B. Deepening the supervision and evaluation of duty performance, and urging Directors and chief executives to effectively perform their duties. The Board of Supervisors continuously optimised the mechanism for evaluating duty performance, widened the evaluation and improved its contents, making the evaluation more objective, fair, scientific and rigorous. Firstly, the Board of Supervisors provided effective daily supervision by attending general meetings, meetings of the Board and important meetings of the senior management to understand the diligence and performance of Directors and chief executives. Secondly, the Board of Supervisors established a special work plan for supervision and evaluation, under which meetings with the shareholders' representatives and the responsible persons of the branches and the head office were held respectively to seek shareholders' opinions or suggestions on the duty performance of the Board, as well as the opinions or suggestions of the responsible persons of the branches and the head office to the senior management. On-site evaluation was also organised. Thirdly, the Board of Supervisors organised the Supervisors to evaluate the duty performance by the Board, Directors, senior management and their members. The results of the performance supervision and evaluation and the evaluation feedback were formed by using the information on duty performance collected through the above-mentioned on-site and off-site methods in such forms as self-evaluation, mutual evaluation and annual debriefing reports. The results and feedback were given to the Board and senior management after being deliberated and adopted at the meeting of the Board of Supervisors, and reported to the annual general meeting and the regulatory authorities.
- C. Conscientiously carrying out financial supervision, and prudently providing opinions. In 2017, the Board of Supervisors furthered supervision over financial and capital management in accordance with important financial decisions and implementation matters of the Bank. Firstly, Board of Supervisors focused on the authenticity and completeness of the financial reports and the compliance and reasonableness of the profit distribution plans, scrutinising semi-annual reports, annual reports and profit distribution plans, and issuing audit opinions carefully. Secondly, it further supervised major related party transactions and major investment decisions and implementation thereof, and urged the relevant departments to perform their duties in a methodical manner and standardised their operations. Thirdly, it regularly

listened to such reports as the business management report and financial analysis report of the Bank, and kept abreast of the Bank's financial status, asset quality, operating results and transformation and development.

D. Fully implementing internal control and risk supervision, and paying attention to management initiatives and their effectiveness. In 2017, the Board of Supervisors put more efforts to establish and improve the internal control governance structure and the overall risk management structure of the Bank in response to regulatory requirements, and to supervise the division of responsibilities and performance of duties of all parties concerned, with a focus on the implementation and effectiveness of management initiatives. As to risk management, the Board of Supervisors regularly reviewed various risk management reports, and continuously supervised the risk supervision indicators, major risk situations and the monitoring of management measure normalization across the Bank. In addition, it oversaw the formulation and improvement of the risk management policies of the Bank. In 2017, the Bank formulated a comprehensive risk management policy and revised the evaluation of risky credit business performance and other management measures, continuously building up the risk prevention and control system. As to internal control, it regularly listened to reports on internal control operation, and timely traced the internal control environment, risk assessment, information and communication, internal supervision and other aspects of the Bank. Moreover, it earnestly strengthened the supervision and guidance of compliance and risk prevention, urged the senior management to improve its self-inspection function over related banking businesses, and promoted the perfection of internal control system. It paid heed to the effectiveness of the implementation of a series of regulatory policies for 2017, and pushed the Board and the senior management to bring internal control and risk management to a more prominent position.

(4) Broadening supervision and innovating how to supervise to supervise in multi-channel and multi-form. While securing a good daily supervision, the Board of Supervisors actively researched and innovated according to the development plan and business management focal points of the Bank, making supervision more penetrating and insightful and constantly improving the supervision mechanism.

A. Organising audit to the departure of executive directors and chief executives. Firstly, it took the lead in organising the audit of the economic liabilities of Xu Demei, former vice-chairman of the Bank, and of Yan Dongshun, former assistant to the president of the Bank. The departure of Xu Demei was audited by an external auditor that was engaged via bid inviting and the departure of Yan Dongshun was audited by the Audit Department of the Bank. The final audit reports were reviewed and adopted by the Board of Supervisors and then fed back to the Board and the senior management. Secondly, the Board of Supervisors duly arranged an audit of Wu Xuemin's economic liabilities during his term as the president after Wu Xuemin, chairman of the Bank, resigned as president on December 12, 2017.

- B. Supervision-quality-centric with timely suggestions. In order to further improve the corporate governance structure of the Bank and upgrade the corporate governance, the Board of Supervisors issued to the Board the Letter on Reminding the Third Session of the Board of Directors for Re-election and Improvement of the Compensation Payment System for Independent Non-executive Directors from the perspective of prudent operation in 2017, suggesting the promotion of the re-election of members of the Board of Directors, the Board of Supervisors and the senior management and the improvement of the allowance payment system for independent non-executive directors.

 - C. Extending the reach of the supervision, and exploring an embedding supervision mode. The Board of Supervisors strengthened the supervision of progress and maintained a normalised supervision by, among others, participating in special inspections and attending relevant risk management meetings of the senior management, achieving the shift from post-supervision to pre-supervision and in-process supervision.
- (5) Adapting to the new period, implementing the new requirements and strengthening the supervision system construction of the Board of Supervisors. In recent years, the Board of Supervisors has gradually established and improved the supervision system with its own characteristics. The internal operating mechanism has gradually been improved, and the supervision work has entered into the track of institutionalization and standardization. In 2017, the Board of Supervisors further combed through and improved the relevant systems.
- A. Improving the mechanism of the Board of Supervisors for evaluating duty performance. The Measures for the Board of Supervisors to Evaluate the Performance of Board of Directors and its members, the Measures for the Board of Supervisors to Evaluate the Performance of Senior Management and its Members and the Measures for Evaluating the Performance of the Board of Supervisors and Supervisors were amended, integrating the Party committee's vetting procedures into the whole process of duty performance evaluation, which was in line with the superior's spirit of strengthening the Party's leadership over state-owned enterprises. Meanwhile, the evaluation indicator system of senior management members was refined, satisfying the need of differentiation assessment and making the evaluation results more scientific and reasonable.

B. Establishing the supervision mechanism of internal control and risk management of the Board of Supervisors. The interim measures for supervising internal control and risk management were formulated by the Board of Supervisors on the basis of integrating the relevant internal and external provisions, combing through system-based internal control and centering on risk management supervision priorities. Such measures defined the main contents for supervising internal control and risk management by the Board of Supervisors, further normalised the use of supervision methods and results, providing a system-based basis for the Board of Supervisors to enhance supervision over internal control and risk management.

The above-mentioned four systems have been issued and come into force after being deliberated and adopted at the meeting of the Board of Supervisors.

(6) Improving the means of supervision, steadily carrying out special investigations and inspections, and actively bringing into play the effectiveness of supervision. The Board of Supervisors studied and analysed the new situation and problems during the operation, management and business development of the Bank on a regular basis, improved its forward-looking capability for special investigation work and included the supervision over subsidiaries into its duties in close response to the comprehensive operation of the Bank.

A. Organising special investigations centering on key risk points. In 2017, the Board of Supervisors paid close attention to the new changes in macroeconomic and financial policies and regulatory requirements, and duly organised special investigations to key risk points in light of the key risk-control points and the transformation characteristics of the Bank. In view of the accelerated IT development and rising IT expenditure of the Bank during recent years, the Board of Supervisors formed an investigation team in April and May to investigate the management of IT capital expenditure project of the Bank by means of, among others, on-site inspection, questionnaire, interview and systematic review. The team primarily provided in-depth investigation and analysis to the construction of the management mechanism, project management and control and whether responsibilities were clearly divided. It concluded an investigation report, objectively reflecting the overall management of the Bank's IT capital expenditure project, and pointing out the problems and shortcomings during the management. It offered suggestions for work after careful discussion, and gave feedback to the Board and the senior management.

B. Effectively safeguarding the interests of the Bank and strengthening supervision over its subsidiaries. Based on protecting the rights and interests of the external investment of the Bank, the Board of Supervisors continuously bettered and implemented the annual routine inspection work mechanism for subsidiaries of the Bank, fully covering the annual inspection of the

subsidiaries in 2017. Jin Zhai Huiyin Rural Bank and Wu Wei Huiyin Rural Bank were inspected respectively in May, and Huishang Bank Financial Leasing Co., Ltd. was inspected in June. The Board of Supervisors had a detailed understanding and provided serious analysis and research of the business management of such companies in the local economic and financial environment, lessons to be learned as well as existing difficulties and problems, concluding a report which provided a good reference for the decision-making by the Board and the operation and management by the senior management.

- (7) Building up capabilities to perform duties, raising work quality, and tamping the basis for supervision. The Board of Supervisors attached importance to self-development and constantly strengthened self-restraint, enhanced the training and assessment of all Supervisors to improve the capabilities to perform duties and change working methods, relentlessly pushing the work of the Board of Supervisors to a new level.
- A. Strengthening the organizational construction of the Board of Supervisors, and re-electing external supervisors and shareholders' supervisors in a standardised and orderly manner. As to the resignation of one external supervisor and one shareholders' supervisor, the Board of Supervisors orderly advanced and completed the re-election of the supervisors to ensure that the personnel qualification, and relevant procedures were in line with the regulatory requirements, effectively enriching the composition of the Board of Supervisors and laying a foundation to play its supervisory role.
 - B. Grasping regulatory dynamics, and organising learning and training. In 2017, the Board of Supervisors invited experts from regulatory bodies to train Supervisors on the interpretation of regulatory policies and the requirements of regulatory practices, so as to keep them informed of regulatory policies and priorities in a timely manner and broaden their oversight horizons.
 - C. Evaluating the duty performance of Supervisors and urging conscientious performance of duties. The annual performance evaluation of Supervisors was carried out according to the method for evaluating Supervisors' performance and the compensation management system of the Bank, primarily in terms of the adequacy of working hours, the standardization level of work, among others. It strengthened the assessment of the attendance of Supervisors at meetings and of the provision of rational opinions or suggestions.
- (8) Unblocking the information channel, strengthening the internal and external interaction, and persistently optimizing the supervision work mechanism. On the premise of adhering to the principle of corporate governance, the Board of Supervisors attached great importance to the internal and external communication by methodically handling the relationships of the Board of Supervisors with the

Board, the senior management and the supervisory authorities, and by unblocking the communication channels between the branches and the head office, providing the information basis for the supervision.

- A. Strengthening information communication and interaction with the Board and the senior management. The Board of Supervisors attended such relevant banking business meetings and participated in such relevant risk screening or business inspection as required and kept abreast of the business management, important contracts, major events and audit matters of the Bank, as well as of the major decision-making matters of the Board.

- B. Focusing on communication with regulatory authorities. The Board of Supervisors furthered the communication with regulatory authorities and was at parity with new policies and regulatory priorities by inviting supervisory authorities to attend meetings of the Board of Supervisors for on-site supervision and guidance, organizing Supervisors to participate in training and cooperating with off-site supervision and inspection, with a view to persistently improve the work quality of Board of Supervisors.

- C. Improving the information acquisition mechanism of the Board of Supervisors. The procedure to acquire daily supervision information was further normalised to improve the quality of information acquired. The Board of Supervisors better dealt with the office affairs of Board of Supervisors by improving the arrangement of posts and enriching the work force, and settled its intercessional work, continuously honing its capacity to guarantee work quality and ensuring the effective transmission and feedback of information.

II. EVALUATION OF THE BANK’S WORK FOR 2017

(1) Evaluation of the duty performance of the Board and the senior management

In accordance with the Guidelines on the Corporate Governance of Commercial Banks and other regulatory regulations and the Articles of Association of the Bank, the Board of Supervisors evaluated the duty performance of the Board of the Bank and its Directors, senior management and members for 2017. Comments or suggestions were solicited through such forms as meetings with shareholders’ representatives and the responsible persons of the branches and the head offices, and evaluation was made individually in the light of the business performance of the Bank and the relevant banking businesses for 2017.

In 2017, the Board, in accordance with the relevant laws and regulations and the Articles of Association, implemented the resolutions of the general meetings, continuously strengthened strategic management, improved corporate governance, enhanced risk and internal control management, and normalised information disclosure, persisted in the priority of “transformation and upgrading”, innovated while carrying out the “Year for Developing New finance” activity, recording handsome business performance and achieving the continuous

growth of shareholder value. Generally, the Directors were able to perform their duties conscientiously, took an active part in the meetings, and provided holistic suggestions and views in the deliberation of proposals.

The senior management carefully effected the strategic arrangement and annual business plan determined by the Board, insisted on innovation to promote transformation and management to improve quality, completed the various business plans issued by the Board with desirable results, upscaling the management, the overall strength and the brand image. Senior management members worked actively and closely to follow up and promote the implementation of the resolutions of the general meeting and the Board, and to complete the annual tasks for their respective banking businesses, performing their duties with desirable outcomes.

Upon assessment, Director Au Ngai Daniel was rated as basically competent in 2017. The Board of Directors and its members (other than Au Ngai Daniel) and the senior management and its members were all rated as competent in 2017.

(2) Evaluation of work of Supervisors

In 2017, the Board of Supervisors performed its supervision duties under laws and regulations and the Articles of Association of the Bank through multiple channels such as special checks, investigation and inspection as well as attending meetings. It also showed that all Supervisors had satisfactory attendance at meetings, including attendance by proxy appointed in writing due to other business. Supervisors diligently fulfilled their duties by conscientiously exercising supervision with their own professional skills, playing an active role in improving corporate governance of the Bank and helping it to operate in compliance with laws and regulations.

Upon evaluation, Supervisors have performed their duties with satisfactory results in 2017.

(3) Opinions on supervision over operational decision-making matters of the Bank

A. Operation in compliance with laws

During the reporting period, the Bank's operating activities were in compliance with the laws and regulations, such as the Company Law, the regulatory requirements and the Articles of Association of the Bank. The decision-making procedures and resolutions of the Board were in compliance with the laws and regulations, and the senior management performed their operation and management duties in accordance with laws and regulations, the authorization of the Board and the rules and policies of the Bank.

B. Authenticity of financial report

The Bank's 2017 annual financial report has been audited by Ernst & Young in accordance with International Financial Reporting Standards and a standard unqualified audit report was issued. The financial report is true, objective and accurate to reflect the Bank's financial activities and operating results.

C. Related party transactions

The Board of Supervisors is not aware of any related party transaction of the Bank during the reporting period that damaged the interests of the Shareholders and the Bank.

D. Internal control

During the reporting period, the Bank adhered to the value orientation of priority for internal control and satisfied the regulatory requirements by carrying out special governance activities such as "3+3+4+10 (Three Violations, Three Arbitrages, Four Improper Practices and Ten Banking Problems)" and "3-basic (Basic Level Building, Basic Work and Basic Skill Training) and 4-in-place (Accountability, Measures, Personnel and Management in place)", and by completing the self-inspection, rectification and responsibility-tracking of the existing businesses. Moreover, the Bank established a structure for internal control, governance and organisation with a rational division of labour, defined boundaries of duties and clear reporting relationship. No major defect was found in the integrity and rationality of internal control of the Bank.

E. Risk management

During the reporting period, the Bank has been adhering to the risk concept of "prudence, rationality and firmness", creating a safe financial system by addressing both the symptoms and the root causes from such key areas as perfecting the policy system, strengthening the risk early warning monitoring, speeding up the disposal of risky assets and upscaling the credit management, with efforts to improve the effectiveness of the overall risk management and construct a fully-fledged risk management system. All regulatory indicators remained stable and the overall risk condition was manageable.

F. Implementation of proposals passed at general meetings

The Board of Supervisors had no objection to the reports and proposals submitted by the Board to general meetings in 2017 for consideration, and supervised the implementation of the resolutions passed at the general meetings. The Board was considered to have well implemented the relevant proposals passed at the general meetings.

Pursuant to the requirements of the Management of Related Party Transactions between Commercial Banks and Their Insiders and Shareholders and the relevant guidelines of the Bank, the details of the related party transactions of the Bank in 2017 are as follows:

I. RECENT RELATED PARTY TRANSACTIONS

The related party transactions of the Bank mainly involve ordinary on-and off-balance sheet bank businesses such as loans, acceptances and check-discounting. These transactions are carried out on fair and just commercial terms not more favorable than similar transactions with non-related parties. As at the end of 2017, the amount of related party transactions of the Bank amounted to RMB5,421,265,000.

(1) **Related party transactions with related legal persons.** As at the end of 2017, there were eight related legal persons involved in related party transactions, namely Anhui Province Energy Group Co., Ltd., Anhui Guoyuan Holding (Group) Co., Ltd., Anhui Transportation Holding Group Co., Ltd., Anhui Credit Guaranty Group Co., Ltd., Sunshine Insurance Group Corporation Limited, China Vanke Co., Ltd., Chery Huiyin Motor Finance Service Co., Ltd. and Anhui Shuyi Construction (Group) Co., Ltd. (安徽舒怡建設集團有限公司), with an aggregated amount of RMB5,080,658,300.

a. **Anhui Province Energy Group Co., Ltd.** Anhui Province Energy Group Co., Ltd. is a related party of the Shareholders of the Bank. The members who have outstanding related party transactions with the Bank include Anhui Xinneng Electric Technology Co., Ltd. (安徽省新能電氣科技有限公司), Anqing Wanneng Zhongke EP Power Co., Ltd. (安慶皖能中科環保電力有限公司) and Shucheng Wanneng Natural Gas Co., Ltd. (舒城皖能天然氣有限公司). The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the relevant provisions, among which Anqing Wanneng Zhongke EP Power Co., Ltd. obtained acceptance bills from the Bank, with a balance of RMB445,100; Anhui Xinneng Electric Technology Co., Ltd. (安徽省新能電氣科技有限公司) obtained letters of guarantee and acceptance bills from the Bank, with a balance of RMB5,478,700; and Shucheng Wanneng Natural Gas Co., Ltd. (舒城皖能天然氣有限公司) obtained acceptance bills from the Bank, with a balance of RMB3,925,100.

b. **Anhui Guoyuan Holding (Group) Co., Ltd.** Anhui Guoyuan Holding (Group) Co., Ltd. is a related party of the Shareholders of the Bank. The members who have outstanding related party transactions with the Bank include Guoyuan Securities Company Ltd., Changsheng Fund Management Company Limited, Anhui Guoyuan Trust Company Ltd. and Guoyuan Agricultural Insurance Co., Ltd.. The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the relevant provisions. As at the end of December 2017, the

Bank provided custodian services for Guoyuan Securities, Guoyuan Trust and Changsheng Fund at a custodian fee of RMB22,077,100. An insurance brokerage fee of RMB55,100 has been received from Guoyuan Agricultural Insurance Co., Ltd. for the insurance brokerage services. Management fees of RMB6,057,900 have been paid to Guoyuan Securities Company Ltd. for the asset management plans. The Bank paid Anhui Guoyuan Trust Company Ltd. a trustee fee of RMB4,517,800, and entered into bonds trading transactions with Changsheng Fund Management Company Limited with a total transaction amount of RMB50,000,000.

- c. **Anhui Transportation Holding Group Co., Ltd.** Anhui Transportation Holding Group Co., Ltd. is a related party of the Directors of the Bank. The members who have outstanding related party transactions with the Bank include Anhui Transportation Holding Group Co., Ltd., Anhui Xunjie Logistics Co., Ltd. (安徽迅捷物流有限責任公司), Anhui Expressway Finance Lease Co., Ltd. (安徽高速融資租賃有限公司), Anhui Transportation Group Automobile Sales Co., Ltd. (安徽交運集團汽車銷售有限公司), Anhui Transport Consulting & Design Institute Co., Ltd. (安徽省交通規劃設計研究總院股份有限公司) and Anhui Zhongxing Engineering Supervision Co., Ltd. (安徽省中興工程監理有限公司). The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the relevant provisions, among which Anhui Transportation Holding Group Co., Ltd. obtained three fixed-asset loans from the Bank, with a balance of RMB336,875,000; Anhui Xunjie Logistics Co., Ltd. (安徽迅捷物流有限責任公司) obtained one working capital loan from the Bank, with a balance of RMB10,000,000; Anhui Expressway Finance Lease Co., Ltd. (安徽高速融資租賃有限公司) obtained one working capital loan from the Bank, with a balance of RMB100,000,000; Anhui Transportation Group Automobile Sales Co., Ltd. (安徽交運集團汽車銷售有限公司) obtained acceptance bills from the Bank, with a balance of RMB2,676,100; Anhui Transport Consulting & Design Institute Co., Ltd. (安徽省交通規劃設計研究總院股份有限公司) obtained domestic guarantees from the Bank, with a balance of RMB5,446,800; Anhui Zhongxing Engineering Supervision Co., Ltd. (安徽省中興工程監理有限公司) obtained domestic of guarantee from the Bank, with a balance of RMB5,682,900. The aforementioned related party transactions were categorized as normal in the five-category system. The underwriting fee of short-term commercial papers received from Anhui Transportation Holding Group Co., Ltd. was RMB750,000. The Bank also holds some bonds issued by Anhui Transportation Holding Group Co., Ltd with an aggregated nominal value of RMB570 million.

- d. **Anhui Credit Guaranty Holdings Group Company Ltd.** Anhui Credit Guaranty Holdings Group Company Ltd. is a related party of the Shareholders of the Bank. The members who have outstanding related party transactions with the Bank include Anhui Guaranteed Asset Management Co., Ltd. (安徽擔保資產管理有限公司) and Anhui Development Investment Co., Ltd. (安徽省開發投資有限公司). As at the end of December 2017, the balance of the working capital loans from the Bank to Anhui Guaranteed Asset Management Co., Ltd. (安徽擔保資產管理有限公司) was RMB382 million; the balance of the working capital loans from the Bank to Anhui Development Investment Co., Ltd. (安徽省開發投資有限公司) was RMB2 billion. These transactions are considered normal in the five-category system.
- e. **Sunshine Insurance Group Corporation Limited.** Sunshine Insurance Group Corporation Limited is a related party of the Directors of the Bank. The members who have outstanding balance of related party transactions with the Bank include Sunshine Insurance Group Corporation Limited, Sunshine Life Insurance Corporation Limited, the Anhui branch of Sunshine Life Insurance Limited, Sunshine Property Insurance Co., Ltd. (陽光財產保險股份有限公司) and Sunshine Asset Management Co., Ltd. (陽光資產管理股份有限公司). The Bank considered the abovementioned companies as related parties and managed the transactions with them as related party transactions in accordance with the relevant provisions. As at the end of December 2017, Anhui branch of Sunshine Life Insurance Limited has contracted the Bank's staff insurance project with an amount of RMB34,945,800; the Bank collected from Sunshine Life Insurance Corporation Limited an insurance brokerage fee of RMB1,285,200, and collected from Sunshine Property Insurance Co., Ltd. (陽光財產保險股份有限公司) an insurance brokerage fee of RMB22,700; the Bank entered into securities trading transactions with Sunshine Life Insurance Corporation Limited for a total amount of RMB40 million; the Bank entered into securities trading transactions with Sunshine Asset Management Co., Ltd. (陽光資產管理股份有限公司), for a total amount of RMB210 million.
- f. **China Vanke Co., Ltd.** China Vanke Co., Ltd. is a related party of the Shareholders of the Bank. The Bank has deemed it as a related party and the transactions with it are managed as related party transactions in accordance with the relevant provisions. As at the end of December 2017, China Vanke Co., Ltd. had a balance of RMB457,056,000 under the indirect credit facilities with the Bank.

- g. Chery Huiyin Motor Finance Service Co., Ltd.** Chery Huiyin Motor Finance Service Co., Ltd. is an associate of the Bank. The Bank managed the transactions with it as related party transactions in accordance with the relevant provisions. Chery Huiyin Motor Finance Service Co., Ltd. had a balance of inter-bank borrowing of RMB400 million as at the end of December 2017. The Bank invested in the senior asset-backed securities (backed by personal auto pledged loans) issued by Chery Huiyin Motor Finance Service Co., Ltd. as a promotor, with a balance of RMB231,361,000.
- h. Anhui Shuyi Construction (Group) Co., Ltd.** (安徽舒怡建設集團有限公司). Anhui Shuyi Construction (Group) Co., Ltd. (安徽舒怡建設集團有限公司) is a related party of Xu Xia, an employee of the Bank, and the transactions with it were managed as related party transactions. As at the end of December 2017, Anhui Shuyi Construction (Group) Co., Ltd. (安徽舒怡建設集團有限公司) had a balance of RMB174 million working capital loans, and its group member, Hefei Shuyi Construction Engineering Co., Ltd. (合肥市舒怡建設工程有限公司) had a balance of RMB26 million working capital loans, which were categorized as normal in the five-category system.

When the aforementioned related legal persons were involved in significant related party transactions, the transactions were submitted to the Related Party Transaction Control Committee for approval after investigation by the relevant departments. The business was conducted on the terms not more favorable than those conducted with non-related parties.

- (2) **Related party transactions with related natural persons.** According to the statistics of the Bank's related party transaction management system, the balance of the related party transactions entered into with related natural persons of the Bank was RMB340,606,700 as at the end of December 2017, which were mainly related to the operations of personal residential loans, comprehensive revolving consumer loans and the credit cards overdraft. All of these transactions were related party transactions within the ordinary course of business of the Bank, which were categorized as normal in the five-category system.
- (3) **Benchmark for the extent of related party transactions.** Transactions between the Bank and the legal persons or other institutions of related legal persons of the Bank, who constitute group customers, and with the close relatives of related natural persons of the Bank were managed as related party transactions in accordance with the relevant provisions and in strict compliance with the regulatory requirements. As at the end of December 2017, the unaudited net equity of the Bank amounted to RMB72,241 million. The balance with Anhui Development Investment Co., Ltd. (安徽省開發投資有限公司), the largest single related party, amounted to RMB2 billion, accounting for 2.77% of the net equity. The balance with Anhui Credit Guaranty Holdings Group Company Ltd., the largest group customer related party, amounted to RMB2,382 million, accounting for 3.3% of the net equity. The balance of all the related parties amounted to RMB5,421 million, accounting for 7.5% of the net equity. The percentages were controlled within the regulatory limits.

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

II. CHANGES OF RELATED PARTY TRANSACTIONS

- (1) **Changes of related party transactions with related parties.** As at the end of December 2017, related party transactions with related legal persons decreased by RMB513,619,100 as compared to the end of December 2016. Specifically, related party transactions with Anhui Province Energy Group Co., Ltd. and its related parties increased by RMB7,759,500; transactions with Anhui Transportation Holding Group Co., Ltd. and its related parties increased by RMB366,834,300; transactions with Anhui Credit Guaranty Group Co., Ltd. and its related parties increased by RMB282 million; transactions with China Vanke Co., Ltd. and its related parties increased by RMB377,056,000, those with Chery Huiyin Motor Finance Service Co., Ltd. increased by RMB431,361,000; transactions with Anhui Shuyi Construction (Group) Co., Ltd. (安徽舒怡建設集團有限公司) increased by RMB48 million; while related party transactions with Anhui Guoyuan Holding (Group) Co., Ltd. and its related parties decreased by RMB248,349,500; transactions with Sunshine Insurance Group Corporation Limited and its related parties decreased by RMB1,338,280,400; transactions with Anhui Hengtai Real Estate Company Limited decreased by RMB350 million, and transactions with Nanxiang Hengtai (Suzhou) Logistics Industry Co., Ltd. decreased by RMB90 million.

- (2) **Changes of related party transaction with related natural persons.** As at the end of December 2017, the shareholding of natural person Shareholders of the Bank was far less than 5%, and therefore, the Bank's related natural persons were all insiders and their close family members. The related party transactions with the Bank's related natural persons were all general related party transactions, and compared with the end of 2016, there were some new related party transactions, with some of these transactions expiring or repaying loan as per agreement. The balance of such related party transactions increased by RMB134,323,000.

III. MANAGEMENT OF THE RELATED PARTY TRANSACTIONS

Under the leadership of the Related Party Transaction Control Committee, the Bank strictly complied with the regulatory requirements of related party transactions and continued to enhance its related party transaction management system during the reporting period. Firstly, the Bank strengthened the collection of information on the related parties. On top of regular reporting arrangements, the Bank enhanced its efforts in inquiring and consulting with its related parties so as to stay up-to-date with changes of related parties through various effective information gathering methods, and identifying and confirming information on related parties in a timely manner so as to improve the quality of information on related parties. Secondly, the Bank tightened the control of the transactions relating to credit facilities, and approval of significant related party transactions and registration of general related party transactions. During the reporting period, the terms and conditions of the related party transactions were not more favorable than those of the Bank's credit business under the same categories. Significant related party transactions of the Bank were submitted to the Board of Directors for consideration and approval on a case-by-case basis, so as to ensure the compliance of the credit business with the relevant laws and regulations. Thirdly, the Bank improved the early warning mechanism for related party transactions. Daily monitoring and analysis of related party transactions have been strengthened. The changing trend of relevant transactions were collected and analysed from the perspective of credit limit, credit concentration and credit quality, aiming to effectively prevent the risks associated with related party transactions. Fourthly, the Bank carefully fulfilled its obligations in relation to the disclosure of related party transactions, and collected and compiled the relevant information in accordance with the requirements on the preparation of its prospectus and interim reports, with an aim to give a full picture of the related party transactions of the Bank and safeguard the rights of the Shareholders to be informed of such transactions.

The Board of Supervisors launched the appraisal work on the duty performance of the Board of Directors and the Directors in the year 2017 in accordance with the regulatory provisions of the Guidelines for Corporate Governance of Commercial Banks (Yin Jian Fa [2013] No. 34, Measures for Performance Appraisal of Directors of Commercial Banks (Trial) (Banking Regulatory Commission Order No. 7 of 2010) and the requirements of the Articles of Association of the Bank. The subjects of this appraisal were the Board of Directors (the “Board”) of the Bank and the incumbent Directors as at December 31, 2017. The Board of Supervisors has successively convened seminars of Shareholders’ representatives and seminars of branch managers and the main responsible persons of the offices and departments of the headquarters respectively to solicit their opinions and suggestions extensively. The details of the appraisal work are reported as follows:

I. BRIEF APPRAISAL OF DUTY PERFORMANCE OF THE BOARD

The appraisal concluded that, in 2017, the Board earnestly implemented the resolutions passed by the Shareholders’ general meeting, fulfilled the decision-making function, strengthened strategic management, improved corporate governance, enhanced risk management and internal control, remained committed to the main task of “transformation and upgrading” and made innovations in the activity of “Year for Developing New Finance”. These efforts have contributed to satisfactory achievements and continuous growth in Shareholders’ value.

(1) Effectively promoting the implementation of strategies

In order to achieve the strategic goal of becoming a mainstream bank in Anhui and a first-tier regional commercial bank, the Board made further efforts in the activity of “Year for Developing New Finance”, and promoted transformation and upgrading through innovation to enhance its competitiveness while remain committed to the main task of transformation and upgrading, which resulting in more balanced development of business and gradually optimized business structure. Through actively exploring all-round, multi-level and comprehensive financial services solutions, the Board gave full play to the Bank’s role of providing financial support as a mainstream local commercial bank. The Board optimized its assets and liabilities structure and customer bases by promoting business transformation, which paved the way for the achievement of its strategic goal and made room for its strategic development in the future.

(2) A more standardized corporate governance structure

The Board has made certain amendments to the Articles of Association, Rules of Procedure of the Shareholders’ General Meeting and other constitutional documents and reported the same to the Shareholders’ general meeting for consideration and approval, which further improved the corporate governance system of the Bank. The Board also carried out the special program of “Year for Improving Corporate Governance” in strict compliance with the regulatory requirements. By completing the election and appointment of the Chairman of the

Board, the Board firmly implemented the decisions made by Anhui Provincial Party Committee. The seamless transition of the Board ensured the smooth progress of various work. The change of the name of Strategic Development Committee into Strategic Development and Consumer Rights Protection Committee reflected our stress on the protection of consumer rights. The Board continued to enhance the development of information disclosure and management system by formulating the insider information and insider management system, introducing the insider confidentiality working system and strictly implementing the information reporting and filing system, which further improved the standard of information disclosure of the Bank. In 2017, the Bank held 1 Shareholders' general meeting, at which 18 proposals were considered and reviewed; 7 Board meetings, at which 49 proposals were considered and reviewed; and 19 special committee meetings, at which 76 proposals were considered and reviewed.

(3) Continuously strengthening risk management

In the face of a serve situation of mounting pressure on the management and control of three sources of risks, including credit risk, market risk and operational risk, the Board, in line with changes in the domestic and international environment, has formulated the annual risk limit management plan for investment portfolios, guiding opinions for risk management policies, risk appetite statement, guiding opinions for compliance management work at the beginning of the year to strengthen the guidance of risk policies of the Bank. In the course of daily operation, the Board and the special committees pay close attention to various risks, guide and monitor the strict implementation of risk management and internal control policies as well as the regulatory requirements on a group-wide basis. Efforts were made to improve the assessment measures and enhance assessment to strictly control credit risk. The Board instructed relevant departments to further improve the management of liquidity risk and operational risk. All these efforts ensured that the assets quality remained high in general and risks were generally controllable.

(4) Gradually strengthening internal control

The Board effectively improved the level of internal control through institutional improvement, enforced implementation and enhanced monitoring. With the establishment of a sound internal control framework, our internal control system has been gradually improved. The successful re-election of auditors for the first time since the establishment of the Bank ensured the continuity and stability of internal control. The Board strengthened valuation management to actively respond to market risk and prevent and control crossed-over financial risk and internet financial risk. The Board continued to strengthen public opinion monitoring with a view to identifying reputational risk in a timely manner. The Board urged the auditing department to conduct internal audit on key areas such as credit, operation and finance and key links. To strengthen the management of related party transactions, the Board formulated the 2017 daily related party transaction business plan, and considered and approved material related party transactions according to relevant rules. The Board also promoted the formulation of the internal control rules emphasizing on the linkage between internal control assessment and performance bonus, rectification of issues and accountability.

II. EVALUATION RESULTS

Upon assessment, the Board of Directors was rated as competent with Director Au Ngai Daniel rated as basically competent and all the other Directors rated as competent for the 2017 annual performance evaluation.

III. RECOMMENDATIONS**(1) Recommendation on strategic management**

The Board shall further strengthen strategic management to keep abreast with the new economic and financial developments in the development of socialism with Chinese characteristics in a new era and to respond to changes brought by the transition of China's growth mode from rapid development to high-quality development. The Board shall continue to strengthen the assessment of the implementation results of strategies based on the 2015 – 2019 Five-year Strategic Plan of Huishang Bank. The Board shall enhance its ability to respond to changes in the process of strategy implementation, assess the achievement of strategic goals and review any issues and deficiencies found in the process of strategy implementation from multiple dimensions, and make amendments and improvement to the development strategies in light of the circumstances as appropriate. The Board shall focus on the monitoring of implementation of strategies and allocate more resources for strategy implementation so as to effectively promote the implementation of development strategies.

(2) Recommendation on corporate governance

Top priority shall be given to the establishment and improvement of the corporate governance system of the Bank. The Board shall convene Board meetings, consider and approve resolutions, and effectively fulfill the decision-making function under the authorisation of the Shareholders' general meeting and in strict compliance with the requirements of the Company Law, Guidelines for the Corporate Governance of Commercial Banks and relevant laws and regulations and the Articles of Association of the Bank. The Board shall strengthen meeting management, standardize meeting procedures and decision-making procedures, organize and convene meetings in strict compliance with rules and regulations as well as regulatory requirements, and earnestly perform its obligations with a view to protecting the lawful rights and interests of the Bank, Shareholders, employees, creditors and other stakeholders.

(3) Recommendation on risk management and internal control

The Board shall earnestly bear the responsibility for comprehensive risk management by improving the risk management structure, specifying the responsibilities of various departments and promoting the establishment of a comprehensive risk management system. By fostering the risk management culture of "prudence, rationality and stable", the Board shall, in

light of the risks and environment, formulate risk management strategies at the Bank level and set risk appetites, and establish and improve a multi-level, interconnected and balanced risk operation mechanism, so as to effectively monitor the comprehensive risk management of the senior management. The Board shall focus on strengthening the guidance on the formulation of liquidity risk management policies for interbank business, and make sufficient preparation in advance for possible liquidity gap arising from the balance sheet reduction. In the face of a stricter regulation environment, the Board shall actively guide the senior management to build an internal control system adaptable to the new regulatory requirements, work to promote the development of compliance culture, and guide the senior management to assist regulators in carrying out special programs to rectify “market disorders”. As for prominent internal control issues, the Board shall consolidate the foundation for internal control and continue to improve internal control.

(4) Recommendation on capital management

Impacts from the development restriction imposed by capital constraints have gradually unfolded as the Bank’s A-shares IPO process was hindered and its off-balance sheet activities were affected due to its returning to the origin function and focusing on its main business. To solve these problems, firstly, the Board shall actively explore additional channels to replenish its capital and promote the private placement of H-shares while strengthening communication with the Shareholders to remove obstacles in its listing process so as to resume its A-share listing process. Secondly, the Board shall strengthen intensive management of capital, improve the capital management system, facilitate refined capital management by the senior management under capital restrictions, strengthen research of regulatory policies, and introduce new business modes, so as to increase the efficiency of capital utilisation. Thirdly, the Board shall properly develop the profit distribution plan, issue standardized profit distribution policies, reasonably determine the proportion of retained earnings and dividend distributions from the perspective of protecting the growth of the Bank and the long-term interests of the Shareholders and actively replenish the liquidity needs with self-generated capital. The Board shall develop the strategic investment plan in advance and improve the management level of its affiliates.

(5) Recommendation on equity management

The Board shall continue to improve the equity management working mechanism and regulate the equity management working procedures. Efforts shall be made to improve the communication system between the Shareholders and investors, and provide better services to the Shareholders, so as to safeguard and protect the lawful rights and interest of the Shareholders. To protect the investors’ right to know, the Board shall strengthen the collection of basic information about the Shareholders and equity transfers, and disclose information about equity transfers in a timely, accurate and lawful manner. The Board shall keep records of pledge of Shares in strict accordance with relevant rules and regulations of the Bank and regulatory requirements, so as to effectively prevent and control various risks arising from

pledge of Shares and ensure sound operation and healthy development of the Bank. The Board shall continue to promote the application of information technologies in equity management and improve the equity information management system, so as to improve the efficiency of equity management.

(6) Recommendation on information disclosure and related party transactions

The Board shall make information disclosure in a standardized manner and ensure the authenticity, accuracy and completeness of information to be disclosed in strict compliance with relevant requirements of the regulators and the Hong Kong Stock Exchange. In particular, the Board shall work to ensure the information will be disclosed in a timely and accurate manner. The Board shall improve the insider information management work and effectively promote the performance of the obligation of information confidentiality, with a view to effectively preventing and controlling risks relating to insider trading.

The Board shall continue to improve the management system for related party transactions. The Board shall strengthen the collection of information about related parties, strengthen the management of credit business with related parties and strictly control the review and approval of material related party transactions while actively performing its disclosure obligation in respect of related party transactions to ensure the Shareholders' right to know.

APPENDIX V THE SUPERVISORY AND APPRAISAL REPORT BY THE BOARD OF SUPERVISORS ON THE PERFORMANCE OF DUTIES BY THE SENIOR MANAGEMENT AND ITS MEMBERS FOR 2017

The Board of Supervisors launched the appraisal work on the duty performance of the senior management and its members for the year 2017 in accordance with the regulatory provisions of the *Guidelines for the Corporate Governance of Commercial Banks* (Yin Jian Fa [2013] No. 34) and the requirements of the Articles of Association of the Bank. The subjects of this appraisal were the senior management of the Bank and the senior management members who have performed their duties as at December 31, 2017. The Board of Supervisors has successively convened seminars of branch managers and the main responsible persons of the offices and departments of the headquarters respectively to solicit their opinions and suggestions extensively. The details of the appraisal work are reported as follows:

I. BRIEF APPRAISAL OF SENIOR MANAGEMENT’S DUTY PERFORMANCE

The appraisal concluded that, in 2017, the senior management carried out macroeconomic control and monetary credit policy to meet the regulatory requirements, earnestly implemented the annual operation plans and tasks set by the Board of Directors, insisted on the transformation by innovation and improving efficiency by management, adapted to new economic environment and built new financial system, worked hard with pioneering and positive attitude, overcame various difficulties, completed in all aspects the operation plans and tasks issued by the Board of Directors, achieving positive results in serving real economy, effectively enhancing its management level and service capabilities, and further promoting its brand image. In 2017, the Bank ranked the 168th in *Top 1000 World Banks*, of The Banker, and No. 5 in the “GYROSCOPE” evaluation of city commercial banks by the China Banking Association.

In 2017, the Bank recorded a net profit of RMB7.424 billion, representing an increase of 10.05%. The total assets amounted to RMB879.16 billion, representing an increase of 19.95%; customer deposits amounted to RMB508.78 billion, representing an increase of 11.17%; loans to customers amounted to RMB302.624 billion, representing an increase of 14.05%. The NPL ratio was 1.05%, better than the controlling plan.

(1) Achieving positive results in serving the real economy

The senior management has granted additional loans amounting to RMB33.31 billion within the province, outperforming the task assigned by the provincial government. The senior management has advocated transformation, upgrading and structural adjustment, supported the development of strategic emerging industries and the construction of public infrastructure facilities, and financed small and micro businesses and the rural areas, the agriculture industry and peasants, achieving “three no less than” (三個不低於) in respect to loans to small and micro businesses, and a substantial increase in both individual business loans and loans involving agriculture as compared with the previous year. The senior management has devoted itself to targeted poverty alleviation, set up funds of RMB4.9 billion for poverty alleviation, and granted micro-loans of RMB540 million for targeted poverty alleviation, benefiting 13,600 registered poor families. The senior management managed to implement its targeted poverty alleviation strategy and helped Wangzhou Village get rid of the poverty as scheduled.

(2) Achieving remarkable results in promoting the transformation development

The senior management has continued to take the development as priorities, and made simultaneous efforts in corporate business, retail business and interbank business to achieve rapid business development. As for corporate business, the corporate deposits had a market share of 19% in the province, ranking the first place for ten consecutive years. In response to the “Belt and Road Initiative”, the senior management recorded cross-border investment and financing of US\$1.1 billion. In light of the prosperous development of fiduciary business, the accumulative assets under the management of the Bank exceeded RMB1,000 billion, recording an intermediary business income of RMB246 million. As for retail business, all the total values of personal wealth management products, increments and market share ranked the first place within the province. The Bank issued over 1 million credit cards, recording an intermediary business income of RMB513 million. The total number of registered users of “Hui Chang You Cai” (徽常有財) exceeded 10 million, holding a leading position in China. As for interbank business, trade volumes on the platform of Shanghai Commercial Paper Exchange Corporation Ltd exceeded RMB100 billion and the surviving scale of wealth management products amounted to RMB110.26 billion, recording an intermediary business income of RMB1.03 billion, representing an increase of 46.1%.

(3) Enhancing the momentum of sustainable development by innovation and development

The senior management regulated and standardized innovation based on the demand of the real economy and customers in accordance with the laws, and achieved a great number of innovative results. As to qualification applications for research and development of new products, the senior management successively obtained qualifications for first-class dealer for open market, MLF, international factoring, trustee of interbank bond market of Shanghai Headquarters of the PBOC. The senior management launched innovative businesses, such as loans for the construction project of beautiful villages, cross-border direct loans and CMBS. The senior management introduced several new settlement products, such as “Huiyin e Pay” (徽銀e付) and JU HE Payment (聚合支付). In addition, the senior management also established a “one-in-five” digit financial service system for small and micro enterprises, and introduced several online financing products for small and micro enterprises, such as “Tax e-Financing” (稅e融), “Micro Online Lending” (微網貸) and “Credit e-Lending” (信e貸). The senior management developed an innovative Internet finance, improved Internet lending with credit guarantee, introduced “Yi Yuan Xiang Hua” (一元享花), “Tian Ji Zhi Tou” (天機智投) and other direct bank products and provided a cross-industry integrated financial service program applicable to Internet finance, “Account +” (賬戶+). With respect to diversified operation efforts, the senior management implemented the management of consolidated financial statements and the isolation of risks in various aspects, strengthened the control and supervision of risks of subsidiaries and promoted the “integration of banking business and leasing business”

(4) Strengthening comprehensive risk management to adhere to the risk bottomline

The senior management strictly adhered to the risk bottomline, further strengthened the internal control and comprehensive risk management. As to the implementation of the regulatory requirements, the senior management carried out Resolving Three Acts of Arbitrage, Three Acts of Violates, Four Inappropriate Practices and Ten Irregularities special governance activities, took the internal control and policies as priorities, improved the internal control system and standardized the business procedures. As to the management and control of credit risk, the senior management formulated the classification methods of non-credit asset risks, and specifically inspected over credit risk, outsourcing investment and interbank investment. In the assessment of credit, the senior management included bond investments, SPV investments and certificate of credit under unified credit management and formulated key points of credit assessment and risk control requirements. The senior management improved the monitoring and warning system of liquidity, and maintained the liquidity level through overall control and reasonable arrangement. The operational risk management system was launched. The senior management prudently conducted evaluation and proactively responded to market risks. The senior management took various measures to isolate risks to prevent cross-financial risk and Internet financial risk. The senior management paid emphasis on the continuity management of businesses. The senior management continued to promote the “Safety Huishang Bank” building activities, and carried out the management and control of various risks, such as legal risk, IT risk and case risk. No major cases or major responsibility accidents occurred in recent years. As to internal control, the Bank was recognized as A class in anti-money laundering examination by the PBOC for six consecutive years and achieved preliminary results in the special governance of “Strengthening the Three Bases and Attaining the Four Adequacies”.

(5) Strengthening support and guarantee to enhance management

The senior management improved the assessment of branch objective accountability, and emphasized risk control and strategic orientation. The senior management complied with the management of MPA and size of the loan, strengthened capital constraints, and comprehensively optimized the asset structure. The senior management implemented financial management and cost-income ratio management to promote financial budgeting, auditing and refined analysis, and carried out centralized expense accounting pilot. The “826” project was carried out steadily. The senior management promoted the construction of monitoring projects to achieve the full coverage of monitoring to all branches and ATMs. The senior management strengthened the construction of staff team, promoted 22 mid-level management personnel, organized specialized trainings themed “Year for Developing New Finance” for the senior management for four phases and held the first session of “Excellent Lecturer of Huishang Bank” competition. The senior management improved the management of entire-staff appointment system and salary serialization, and orderly carried out appointment and appraisal. The senior management promoted customer manager mechanism and reform pilot of retail performance distribution.

II. EVALUATION RESULTS

Upon assessment, the senior management and its members were all rated as competent for the 2017 annual performance evaluation.

III. RECOMMENDATIONS

(1) Recommendation on basic management

The senior management should put into the ideology practice to strengthen the process management. The senior management should pursue standardized and normalized process control through the improvement of system construction and focus on strengthening the management in detail so as to enhance work efficiency. Moreover, the senior management should improve their own ability, streamline internal coordination mechanism, enhance the ability and efficiency to deal with issues, focus on solving puzzling problems, put forward practicable solutions through proactive analysis and research, promote basic management and pursue efficiency by management.

(2) Recommendation on risk control

Keeping pace with the changes in macro-economic situation and regulatory policies and on the basis of risk preference and risk management policies determined by the Board of Directors, the senior management should steadily promote the establishment of comprehensive risk management system for all the staff and the whole process under the “deliberate, rational and stable” risk concept. The senior management should constantly optimize the risk management system, streamline the risk management process to strengthen the identification, measurement, supervision, alleviation and control of risks, and thus to prevent systematic risks. With an emphasis on the active credit risk control, the senior management should balance the relationship between risk management and business development. In addition, the senior management should actively adapt to the reform tendency of interest rate and exchange rate liberalization and enhance market risk management. The senior management shall proactively carry forward the informatization management of operating risk by using big data technology and avoid capital misallocation risk in the process of de-leverage through precautionary liquidity management with efficiency. More attention should be paid to the impact of reputation risk on the Bank’s brand image.

(3) Recommendation on the improvement of internal control

The senior management should continuously take the enhancement of internal control as the priority for basic management of the Bank, place more emphasis on internal control, organise various training and education courses, cover more trainees and expand training channels with an aim to create a total involvement atmosphere and further strengthen the construction of internal control and compliance culture. Under the principle of legitimate,

**APPENDIX V THE SUPERVISORY AND APPRAISAL REPORT BY THE BOARD
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compliant and stable operation, the senior management should continuously improve internal control system, optimize business process and strengthen risk prevention and control measures, and adhere to risk bottomline, so as to avoid and mitigate the risks within key areas. In terms of the deficiency of internal control, the senior management should focus on basic internal control and improve internal control appraisal work with an emphasis on the internal control of outlets to continuously improve internal control management and ensure the steady development of the business of the Bank. The senior management should go through existing system and improve appraisal system.

(4) Recommendation on financial management

In order to improve the efficiency of financial resources allocation, the senior management should conduct financial resources allocation based on strategic orientation, strengthen refined management of expense budget and allocate marketing expenses reasonably. The senior management should work to further improve the management of the implementation of financial system, standardize expense and focus on strengthening the compliance review on expense reimbursement and further boost the application of cost-to-income ratio in the financial expense management and the accounting of financial expenditure. Moreover, the senior management should spare no efforts to further improve financial management and standardize the preparation of annual and interim financial statements to ensure that the financial statements give an objective and true picture of operating conditions.

(5) Recommendation on innovation-driven development

Faced with serving the real economy instead of the virtual economy in economic field and de-leverage in financial field, it is difficult for the senior management to achieve development through expansion of scale in tradition, and therefore, the senior management should stick to innovation-driven development. To achieve innovation-driven development, the senior management should improve the long-term mechanism which supports and encourages innovation. The senior management should strive to accelerate the construction of innovative culture, create a favorable environment for innovation and set up the guidance and protection mechanism for innovation so as to form an innovative environment. The senior management should focus on appraisal, departmental coordination and incentive and restrictive mechanisms to propel innovation in system and mechanism. Adapting to the trend of tightening supervision and centering on capital intensity, the senior management should focus on product innovation, enhance service entities' economic strength and return to the basics. Moreover, the senior management should strengthen the innovation in service and technology, expand application scenarios so as to expand access to customers and accelerate digital transformation.



Huishang Bank Corporation Limited*
徽商银行股份有限公司*

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

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

**NOTICE OF THE 2017 ANNUAL GENERAL MEETING OF
HUI SHANG BANK CORPORATION LIMITED**

NOTICE IS HEREBY GIVEN that the 2017 annual general meeting (the “AGM”) of Huishang Bank Corporation Limited* (the “Bank”) will be held at 9:00 a.m. on Tuesday, May 29, 2018 at the Hall, 11/F of the Bank, Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, PRC. Details are as follows:

ORDINARY RESOLUTIONS

- (1) to consider and approve the final financial accounts of the Bank for 2017
- (2) to consider and approve the financial budget of the Bank for 2018
- (3) to consider and approve the appointment of external auditors of the Bank for 2018
- (4) to consider and approve the appraisal report on the performance of duties by Directors (including independent non-executive Directors) in 2017 by the Board of Directors of the Bank
- (5) to consider and approve the appraisal report on the performance of duties by Supervisors (including external Supervisors) in 2017 by the Board of Supervisors of the Bank
- (6) to consider and approve the work report of the Board of Directors of the Bank for 2017
- (7) to consider and approve the work report of the Board of Supervisors of the Bank for 2017
- (8) to consider and approve the election of Ms. Zhou Yana as an independent non-executive Director of the third session of the Board of Directors of the Bank

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- (9) to consider and approve the resolution on the adjustment of the allowance standard for independent non-executive directors of the Bank
- (10) to consider and approve the resolution on the adjustment of the allowance standard for external supervisors of the Bank
- (11) to consider and approve the resolution on the determination of remuneration standard for executive directors of the Bank for 2015
- (12) to consider and approve the resolution on the determination of remuneration standard for the former chairman of the Board of Supervisors of the Bank for 2015

SPECIAL RESOLUTIONS

- (13) to consider and approve the Profit Distribution Plan of the Bank for 2017
- (14) to consider and approve the resolution on the general mandate for the issue of shares by the Bank
- (15) to consider and approve the resolution on amendments to the Articles of Association of Huishang Bank Corporation Limited

OTHER BUSINESSES

- (16) to receive the report on related party transactions of the Bank for 2017
- (17) to receive the duty reports of the independent non-executive Directors of the Bank for 2017
- (18) to receive the supervisory and appraisal report by the Board of Supervisors of the Bank on the performance of duties by the Board of Directors and its members for 2017
- (19) to receive the supervisory and appraisal report by the Board of Supervisors of the Bank on the performance of duties by the senior management and its members for 2017

By order of the Board of Directors
Huishang Bank Corporation Limited*
Wu Xuemin
Executive Director, Acting Chairman

Hefei, Anhui Province, China
April 13, 2018

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Notes:

1. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), all votes of resolutions at the AGM for 2017 will be taken by poll except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the voting results will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Bank (www.hsbank.com.cn) in accordance with the Listing Rules.
2. **Closure of register of members and eligibility for attending and voting at the AGM**

H Shareholders of the Bank are advised that the register of members of the Bank will close from Sunday, April 29, 2018 to Tuesday, May 29, 2018 (both days inclusive), during which time no transfer of H Shares of the Bank will be effected and registered. In order to qualify for attending and voting at the AGM, relevant transfer documents must be lodged with the Bank’s H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 4:30 p.m. on Friday, April 27, 2018.

Shareholders of the Bank whose names appear on the register of members of the Bank at the close of business on Sunday, April 29, 2018 are entitled to attend and vote at the AGM.

3. **Dividend payment arrangement**

The Board of the Bank has recommended the adoption of a dividend distribution plan which combines share dividend with cash dividend. The proposed dividend distribution plan for 2017 is 1 Bonus Share for every 10 Shares (before tax) with a cash dividend of RMB0.25 for every 10 Shares (before tax), distributing a total of 1,104,981,928 Bonus Shares (including 788,731,928 Bonus Domestic Shares and 316,250,000 Bonus H Shares) and a total cash dividend of approximately RMB276.2455 million. The dividend distribution proposal will be submitted to the AGM for consideration. Subject to approval of the proposal at the AGM, the dividend will be paid to Domestic Shareholders and H Shareholders whose names appear on the register of members on Thursday, June 7, 2018. The proposed cash dividends payable are denominated in Renminbi, and will be paid to Domestic Shareholders in Renminbi and H Shareholders in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars will be based on the average central parity rate of Renminbi against Hong Kong dollars as announced by the People’s Bank of China on the five working days preceding the date of declaration of the dividend at the AGM (May 29, 2018 inclusive). After the profit distribution plan for 2017 is approved by the AGM, the date of despatch of the certificates for the Bonus H Shares and the cheques for the cash dividend is expected to be Friday, July 27, 2018, and the date of the commencement of dealings in the Bonus H Shares is expected to be Monday, July 30, 2018. The Bank will make further announcements after convening the general meeting in relation to the details of the dividend distribution arrangement. The Bank also will issue a separate announcement if there is any change to the expected date of the distribution as mentioned above.

(1) Domestic Shareholders

According to the relevant requirements of the Individual Income Tax Law of the People’s Republic of China, the Bank will withhold an individual income tax at the rate of 20% for natural person Shareholders whose names appear on the register of members for Domestic Shareholders on Thursday, June 7, 2018.

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

(2) H Shareholders

The register of members in respect of the H Shares of the Bank will be closed from Saturday, June 2, 2018 to Thursday, June 7, 2018 (both days inclusive). In order to be entitled to the final dividend, H Shareholders of the Bank who have not registered the relevant transfer documents are required to lodge the transfer documents, together with the relevant share certificates, with the Bank’s H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, June 1, 2018.

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

- Pursuant to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045 號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011]348 號)) of the State Administration of Taxation dated June 28, 2011, the dividend (bonus) received by the overseas resident individual Shareholders from the shares issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld and paid by the withholding agents according to the relevant laws. However, the overseas resident individual Shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China as well as the tax arrangements between Mainland China and Hong Kong (Macau).
- Based on the above regulation, the Bank will withhold an individual income tax at tax rate of 10% for the individual H Shareholders. However, when other relevant tax regulations and tax arrangements have different requirements, the Bank will follow the requirement of the tax bureau.
- The Bank will withhold an enterprise income tax at a tax rate of 10% for those non-resident corporate H Shareholders pursuant to the Law of the People's Republic of China on Enterprise Income Tax and relevant implementation rules which took effect from January 1, 2008. For the purpose of payment of the dividend, "non-resident corporate Shareholders" refer to any Shareholders holding the Shares of the Bank in the name of non-individual Shareholders, which include but not limited to the H Shareholders whose Shares are registered in the name of HKSCC Nominees Limited, other nominees or trustees, or other groups and organizations. Shareholders should read the above information carefully. If anyone would like to change the identity of the Shareholder, please enquire about the relevant procedures with the nominees or trustees. The Bank is neither obligated nor responsible for ascertaining the identity of the Shareholders. In addition, the Bank will withhold the enterprise income tax and the individual income tax in strict compliance with the relevant laws or regulations and the registered information on the H Shares register of members of the Bank as at the record date. The Bank will not entertain, or take any responsibilities for, any requests or claims in relation to any delay or inaccuracies in ascertaining the identity of the Shareholders or any disputes over the mechanism of withholding of the enterprise income tax and the individual income tax.

(3) *Mainland's Shareholders of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect*

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) and the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127), which were jointly released by the Ministry of Finance, the State Administration of Taxation and the CSRC on October 31, 2014 and November 5, 2016, respectively, for dividends obtained by the mainland individual investors from H shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (hereinafter referred to as the "CSDC") for providing the register of mainland individual investors and withhold individual income tax at 20% tax rate from mainland individual investors whose names are listed on such register provided by the CSDC. While for dividends obtained by the mainland individual investors from non-H shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the CSDC will withhold individual income tax at 20% tax rate. Individual investors may, by producing valid tax payment certificates, apply to the competent tax authority under the CSDC for tax credit relating to the withholding tax already paid abroad.

For dividend income obtained by the mainland security investment funds from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, individual income tax shall be withheld according to the above regulations. For dividend income obtained by the mainland corporate investors from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such income shall be included in their total revenue and enterprise income tax shall be withheld by law. Meanwhile, for dividend income obtained by mainland resident enterprises from holding H shares for 12 consecutive months, enterprise income tax shall be exempted by law. H-share companies listed on Hong Kong Stock Exchange shall apply to the CSDC for providing the register of the mainland enterprise investors. The H-share companies shall not withhold income tax of dividends for mainland enterprise investors and such investors shall declare and pay relevant tax themselves.

If the H Shareholders of the Bank have any queries regarding the above tax arrangements, please consult your tax consultants regarding the tax impacts in Mainland China, Hong Kong and other countries (regions) for holding and selling the Bank's H Shares.

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4. Reply slip

Shareholders intending to attend and vote at the AGM for 2017 in person or by proxy should complete and lodge the accompanying reply slip and return it to the Bank's H Share Registrar (for H Shareholders) or the address of the registered office and principal place of business in the PRC (for Domestic Shareholders) of the Bank on or before Wednesday, May 9, 2018. The reply slip may be delivered by hand, by post or by fax to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) or the address of the registered office and principal place of business in the PRC (for Domestic Shareholders) of the Bank. Completion and return of the reply slip will not preclude the Shareholders from attending and voting at the AGM for 2017.

However, the failure to return the reply slip may result in an adjournment of the AGM for 2017, if the number of Shares carrying voting rights represented by the Shareholders proposing to attend the AGM for 2017 by reply slip does not reach more than half of the total number of shares of the Bank carrying voting rights at the AGM for 2017.

5. Proxy

Every Shareholder who has the right to attend and vote at the AGM for 2017 is entitled to appoint one or more proxies, whether or not they are members of the Bank, to attend and vote on his/her behalf at the AGM for 2017.

A proxy shall be appointed by an instrument in writing. Such instrument shall be signed by the appointer or his attorney duly authorized in writing. If the appointer is a legal person, the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorized in writing. In order to be valid, the instrument appointing a proxy and the power of attorney or other documents of authority (if any) under which it is signed, or a copy of such authority notarially certified, must be completed and returned to the Bank's H Share Registrar (for H Shareholders) or the registered office and principal place of business in the PRC (for Domestic Shareholders) of the Bank no later than 24 hours before the time fixed for holding the AGM for 2017 (i.e. before 9:00 a.m. on Monday, May 28, 2018) or any adjourned meeting thereof. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the AGM for 2017 or at any adjourned meeting should you so wish.

6. Other businesses

(1) The AGM for 2017 is expected to last for no more than half a working day. Shareholders and their proxies attending the meeting shall bear their own traveling and accommodation expenses.

(2) The address of Computershare Hong Kong Investor Services Limited is:

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

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

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

As at the date of this notice, the Board of Directors of the Bank comprises Wu Xuemin and Ci Yaping as executive directors; Zhang Feifei, Zhu Jiusheng, Qian Li, Lu Hui, Zhao Zongren, Qiao Chuanfu and Gao Yang as non-executive directors; Au Ngai Daniel, Dai Genyou, Wang Shihao, Zhang Shenghuai and Zhu Hongjun as independent non-executive directors.

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