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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)

PROPOSED ISSUANCE OF U.S.\$888,000,000 5.50% NON-CUMULATIVE PERPETUAL OFFSHORE PREFERENCE SHARES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CCB International

Haitong International

UBS

Deutsche Bank

BOC International

HSBC

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

ABC International

CEB International

**China Merchants Securities
(HK)**

CITIC CLSA Securities

CMB International

Credit Suisse

Essence International

**Guoyuan Capital
(Hong Kong) Limited**

**Shanghai Pudong Development
Bank Co., Ltd., Hong Kong
Branch**

The Bank has entered into the Subscription Agreement with the Joint Global Coordinators and the Joint Lead Managers, pursuant to which the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or procure subscribers to subscribe and pay for (and Guoyuan Capital (Hong Kong) Limited agreed only to procure subscribers to subscribe and pay for), for the Offshore Preference Shares to be issued by the Bank on the terms of the Subscription Agreement. The Offshore Preference Shares will have a par value of RMB100 each. Subject to the conditions described in the Subscription Agreement, the Offshore Preference Shares will be subscribed at a price equal to 100% of the Liquidation Preference (U.S.\$20 each). The Offshore Preference Shares will be issued fully paid in U.S. dollars.

The Offshore Preference Shares will be issued pursuant to the Articles, the Shareholders Resolutions and the delegated authority of the Chairman, the President or the Board Secretary of the Bank, acting individually or jointly. The Offshore Preference Shares when issued will qualify as Additional Tier 1 Capital of the Bank pursuant to the Capital Management Rules issued by the CBRC.

Upon the Winding-Up of the Bank, the Offshore Preference Shareholders shall rank: (a) junior to holders of (i) all liabilities of the Bank including subordinated liabilities and (ii) obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the Offshore Preference Shares; (b) equally in all respects with each other and without preference among themselves and with the holders of Parity Obligations; and (c) in priority to holders of the Ordinary Shares. On such Winding-Up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the Conditions have been made, be applied to the claims of the Offshore Preference Shareholders *pari passu* with the claims of holders of any Parity Obligations and in priority to the claims of the holders of Ordinary Shares.

The Offshore Preference Shares are perpetual and have no maturity date. The Offshore Preference Shares are not redeemable at the option of the Offshore Preference Shareholders, and the Offshore Preference Shareholders do not have the right to put back the Offshore Preference Shares to the Bank. However, the Bank may, subject to obtaining CBRC Approval and compliance with the Redemption Preconditions, upon prior notice to the Offshore Preference Shareholders and the Fiscal Agent, redeem in whole or in part of the Offshore Preference Shares on the First Reset Date and on any Dividend Payment Date thereafter. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption. Further details are described in the Conditions.

Subject as provided in the Conditions, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends. Each dividend will be payable annually in arrears on 10 November in each year when, as and if declared by the Board subject to certain conditions being met in the Conditions, and the first such Dividend Payment Date will be 10 November 2017. The Offshore Preference Shares will accrue dividends on their Liquidation Preference at the rate of: (a) 5.50% per annum, during the period beginning on and including the Issue Date and ending on but excluding the First Reset Date; and (b) thereafter, in respect of the period from and including the First Reset Date and each Reset Date falling thereafter to but excluding the immediately following Reset Date, the relevant Reset Dividend Rate. Subject to a resolution to be passed at a Shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend in the manner set out in the Conditions.

If any Trigger Event occurs, subject to the conditions described in the Conditions, the Bank shall (after having notified and obtained the consent of the CBRC but without the need for the consent of holders of preference shares or holders of Ordinary Shares) cancel any dividend in respect of the relevant Loss Absorption Amount that is unpaid accrued up to and including the Conversion Date, and irrevocably and compulsorily convert with effect from the Conversion Date all or some only of the Offshore Preference Shares into corresponding number of H Shares as is equal to the relevant Loss Absorption Amount divided by the effective Conversion Price.

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on 3 November 2016, the gross proceeds from the offering of the Offshore Preference Shares will be approximately RMB5.99 billion. The Bank expects the proceeds raised from the Offshore Preference Shares issuance, after deduction of the expenses relating to the issuance, to be approximately RMB5.96 billion and, subject to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBRC and the CSRC, will be used to replenish the Bank's Additional Tier 1 Capital, increase the Tier 1 Capital Adequacy Ratio of the Bank and optimise the capital structure.

There are restrictions on the offer and sale of the Offshore Preference Shares in certain jurisdictions including, but not limited to, the United States, the PRC, Hong Kong, Japan, Singapore, Taiwan and the United Kingdom. The Offshore Preference Shares and the H Shares issuable upon Conversion of the Offshore Preference Shares have not been, and will not be, registered under the Securities Act. Accordingly, the Offshore Preference Shares and the H Shares issuable upon Conversion of the Offshore Preference Shares are not allowed to be offered or sold in the United States, except in those transactions where relevant exemption has been obtained or the registration requirements of the Securities Act are not applicable. The Offshore Preference Shares will be offered outside the United States in compliance with Regulation S.

The Offshore Preference Shares are not intended to be sold and should not be sold to retail clients in the European Economic Area, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. The Offshore Preference Shares are offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors. The Offshore Preference Shares will be issued and transferable only in minimum amounts of U.S.\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.\$1,000 (or 50 Offshore Preference Shares) in excess thereof.

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Offshore Preference Shares and the H Shares issuable upon Conversion of the Offshore Preference Shares. A further announcement will be made before listing of and dealings in the Offshore Preference Shares commence.

Completion of the Subscription Agreement and issue of the Offshore Preference Shares is subject to the satisfaction or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

The Bank has entered into the Subscription Agreement with the Joint Global Coordinators and the Joint Lead Managers, pursuant to which the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or procure subscribers to subscribe and pay for (and Guoyuan Capital (Hong Kong) Limited agreed only to procure subscribers to subscribe and pay for), for the Offshore Preference Shares to be issued by the Bank on the terms of the Subscription Agreement.

The Offshore Preference Shares will be issued pursuant to the Articles, the Shareholders Resolutions and the delegated authority of the Chairman, the President or the Board Secretary of the Bank, acting individually or jointly. The Offshore Preference Shares when issued will qualify as Additional Tier 1 Capital of the Bank pursuant to the Capital Management Rules issued by the CBRC.

There are restrictions on the offer and sale of the Offshore Preference Shares in certain jurisdictions including, but not limited to, the United States, the PRC, Hong Kong, Japan, Singapore, Taiwan and the United Kingdom. The Offshore Preference Shares and the H Shares issuable upon Conversion of the Offshore Preference Shares have not been, and will not be, registered under the Securities Act. Accordingly, the Offshore Preference Shares and the H Shares issuable upon Conversion of the Offshore Preference Shares are not allowed to be offered or sold in the United States, except in those transactions where relevant exemption has been obtained or the registration requirements of the Securities Act are not applicable. The Offshore Preference Shares will be offered outside the United States in compliance with Regulation S.

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THE SUBSCRIPTION AGREEMENT

Date

3 November 2016

Parties

- (i) the Bank (as issuer);
- (ii) BOCI Asia Limited, CCB International Capital Limited, Deutsche Bank AG, Singapore Branch, Haitong International Securities Company Limited, The HongKong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch (as the Joint Global Coordinators); and

- (iii) ABCI Capital Limited, CEB International Capital Corporation Limited, China Merchants Securities (HK) Co., Ltd., CLSA Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Essence International Securities (Hong Kong) Limited, Guoyuan Capital (Hong Kong), Guoyuan Capital (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (together with the Joint Global Coordinators, as the Joint Lead Managers)

Subscription

Subject to the fulfilment of the conditions set out below in the section headed “Conditions Precedent to the Subscription”, the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or procure subscribers to subscribe and pay for (and Guoyuan Capital (Hong Kong) Limited agreed only to procure subscribers to subscribe and pay for), for the Offshore Preference Shares to be issued by the Bank. The Bank expects that the issuance of the Offshore Preference Shares will be completed on the Closing Date.

The Offshore Preference Shares will have a par value of RMB100 each. Subject to the conditions described in the Subscription Agreement, the Offshore Preference Shares will be subscribed at a price equal to 100% of the Liquidation Preference (U.S.\$20 each).

Subscribers

To the best of the Bank’s knowledge, information and belief, each of the Joint Lead Managers are not connected persons (as defined in the Hong Kong Listing Rules) of the Bank.

The Joint Lead Managers have informed the Bank that no less than six qualified placees are intended to be procured by them for the Offshore Preference Shares but subject to a maximum limit of 200 qualified placees for the Offshore Preference Shares. The Offshore Preference Shares are not intended to be initially placed and may not be initially placed to connected persons of the Bank as defined in the Hong Kong Listing Rules. To the best of the Bank’s knowledge, information and belief, each of the placees (and its respective ultimate beneficial owners) intended to be procured by the Joint Lead Managers are not connected persons (as defined in the Hong Kong Listing Rules) of the Bank.

Conditions Precedent to the Subscription

The obligations of the Joint Lead Managers to subscribe and pay for or procure subscribers to subscribe and pay for the Offshore Preference Shares are conditional upon:

1. **Closing Documents:** the Joint Lead Managers receive on the Closing Date:
 - (a) *Legal opinions:* legal opinions dated the Closing Date, in each case in a form acceptable to the Joint Lead Managers, from:
 - (i) Clifford Chance, legal advisers to the Joint Lead Managers as to the laws of Hong Kong;
 - (ii) King & Wood Mallesons, legal advisers to the Bank to the laws of the PRC; and
 - (iii) Global Law Office, legal advisers to the Joint Lead Managers as to the laws of the PRC;

- (b) *Closing certificates*: closing certificates dated the Closing Date, addressed to the Joint Lead Managers, signed by a director or duly authorised signatory on behalf of the Bank in the form set out in the Subscription Agreement;
 - (c) *Comfort letters*: comfort letters in relation to the Bank, dated the date of the Subscription Agreement and the Closing Date and addressed to the Bank and the Joint Lead Managers from PricewaterhouseCoopers, certified public accountants, in a form acceptable to the Joint Lead Managers;
 - (d) *Management Comfort Certificates*: management comfort certificates dated the date of the Subscription Agreement and the Closing Date and addressed to the Joint Lead Managers, signed by the President of the Bank in the form set out in the Subscription Agreement;
 - (e) *Authorisation of the Bank*: a copy of:
 - (i) the constitutive documents of the Bank;
 - (ii) the resolution(s) of the Board authorising the execution of the Issue Documents, the issue of the Offshore Preference Shares and the new H Shares issuable upon Conversion of the Offshore Preference Shares and the entry into and performance of the transactions contemplated hereby and thereby; and
 - (iii) the Shareholders Resolutions of the Bank passed on 20 June 2016 in relation to the issue of the Offshore Preference Shares and related matters thereto;
 - (f) *Regulatory approvals*: a copy of (i) the Foreign Debt Registration Certificate from NDRC with respect to the Offshore Preference Shares pursuant to Circular 2044; and (ii) each of the approvals by CSRC and CBRC for the issue, and such certificate and approval remaining in full force and effect on the Closing Date; and
 - (g) *Incumbency certificates*: certificates dated the Closing Date from the Bank setting out the names and signatures of the persons authorised to sign, on behalf of the Bank, the Issue Documents and any other documents to be delivered by the Bank;
2. **Listing**: the Joint Lead Managers receive confirmation on or before the Closing Date that the Offshore Preference Shares and the new H Shares issuable upon Conversion of the Offshore Preference Shares, have, subject only to the execution of the deed of covenant and the execution, authentication and delivery of the Global Certificate, been listed on the Hong Kong Stock Exchange and copies of the related approvals and waivers from the Hong Kong Stock Exchange;
3. **Issue Documentation**: the remaining Issue Documents are executed and delivered on or before the Closing Date by or on behalf of all parties thereto;

4. **No material adverse change:** there has, since the date of the Subscription Agreement up to and including the Closing Date, in the opinion of the Joint Lead Managers, been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise), prospects, results of operations, business or general affairs of the Bank or the Group or a change which could materially and adversely affect the ability of the Bank to perform its obligations under the Issue Documents or the Offshore Preference Shares or a change which is otherwise material in the context of the issue, offering, sale, marketing or distribution of the Offshore Preference Shares; and
5. **Accuracy of representations and performance of obligations:** (i) the representations and warranties by the Bank in the Subscription Agreement are true and correct on the date of the Subscription Agreement and would be true and correct if they were repeated on the Closing Date with reference to the facts and circumstances then subsisting and (ii) the Bank have performed all of their obligations under the Subscription Agreement to be performed on or before the Closing Date,

provided, however, that the Joint Lead Managers may, at their discretion, waive satisfaction of any of the condition precedents specified in the paragraphs above other than paragraphs 1(f) and 2 (but only to the extent of the new H Shares issuable upon Conversion of the Offshore Preference Shares).

Termination of the Subscription

Notwithstanding anything contained in the Subscription Agreement, the Joint Lead Managers whose committed Liquidation Preference amount individually or in aggregate exceeds 50 per cent. of the total Liquidation Preference of the Offshore Preference Shares may jointly give a termination notice to the Bank at any time prior to the payment of the gross proceeds of the issue of the Offshore Preference Shares to the Bank on the Closing Date if:

1. any representation and warranty by the Bank in the Subscription Agreement is or proves to be untrue or incorrect on the date of the Subscription Agreement or on any date on which it is deemed to be repeated;
2. the Bank fails to perform any of its obligations under the Subscription Agreement;
3. any of the conditions specified in the section headed “Conditions Precedent to the Subscription” above is not satisfied or waived by the Joint Lead Managers on or prior to the Closing Date;
4. since the date of this the Subscription Agreement, there has been, in the opinion of the Joint Lead Managers, such a change or any development involving a prospective change, in national or international financial, political or economic conditions, currency exchange rates or exchange controls as would in their view be likely to prejudice materially the success of the offering or distribution of the Offshore Preference Shares or dealings in the Offshore Preference Shares in the secondary market;

5. in the opinion of the Joint Lead Managers, there shall have occurred a general moratorium on, or disruption in, commercial banking activities, securities settlement or clearance services in the United Kingdom, the United States, Hong Kong or the PRC or by any United Kingdom, United States, Hong Kong or PRC authorities which would be likely to prejudice materially the success of the offering or distribution of the Offshore Preference Shares or dealings in the Offshore Preference Shares in the secondary market;
6. since the date of the Subscription Agreement, there shall have occurred, in the opinion of the Joint Lead Managers,
 - (a) a suspension or material limitation of trading of securities generally, on the New York Stock Exchange, the London Stock Exchange, the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or on any other exchange or over-the-counter market, which could prejudice materially the success of the offering or distribution of the Offshore Preference Shares or dealings in the Offshore Preference Shares in the secondary market; or
 - (b) a suspension of trading of the securities of any member of the Group;
7. the Bank withdraws the Offering Circular or does not proceed with the issue; and
8. there shall have occurred, in the opinion of the Joint Lead Managers, any event or series of events (including, but not limited to, the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would likely prejudice materially the success of the offering or distribution of the Offshore Preference Shares or dealings in the Offshore Preference Shares in the secondary market.

PRINCIPAL TERMS OF THE OFFSHORE PREFERENCE SHARES

The Articles and the Conditions are written in Chinese. In the event of any inconsistency between (i) on the one hand, the Articles and the Conditions in Chinese and (ii) on the other hand, any translations of the Articles and the Conditions in other languages, the Chinese versions of the Articles and the Conditions shall prevail. In addition, in the event of any inconsistency between the Articles and the Conditions, the Articles shall prevail.

<i>Bank</i>	Huishang Bank Corporation Limited
<i>Offering</i>	U.S.\$888,000,000 5.50% Non-Cumulative Perpetual Offshore Preference Shares
<i>Issue Price</i>	100%
<i>Liquidation Preference</i>	The Offshore Preference Shares will be issued fully paid in U.S. dollars so that the total issuance price of the Offshore Preference Shares will be U.S.\$20 each.

The Offshore Preference Shares will have a par value of RMB100 each according to regulatory requirements. The Liquidation Preference amount has been set to enable minimum denomination and integral multiples to align more closely with market practice.

<i>Issue Date</i>	10 November 2016
<i>Maturity Date</i>	The Offshore Preference Shares are perpetual and have no maturity date. The Offshore Preference Shares are not redeemable at the option of the Offshore Preference Shareholders, and the Offshore Preference Shareholders do not have the right to put back the Offshore Preference Shares to the Bank.
<i>Book-entry and Denomination</i>	<p>While the Offshore Preference Shares are represented by the Global Certificate and the Global Certificate is held on behalf of the clearing systems, the Offshore Preference Shares will be recorded, transferred or converted on the basis of their Authorised Denomination (as defined below) and not number of Offshore Preference Shares.</p> <p>The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of U.S.\$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.\$1,000 (or 50 Offshore Preference Shares) in excess thereof (each an “Authorised Denomination”).</p> <p>The Offshore Preference Shares will initially be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg.</p>
<i>Currencies for Settlement</i>	The Offshore Preference Shares will be issued fully paid in U.S. dollars.
<i>Status and Rights upon Liquidation</i>	<p>Upon the Winding-Up of the Bank, the Offshore Preference Shareholders shall rank: (a) junior to holders of (i) all liabilities of the Bank including subordinated liabilities and (ii) obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the Offshore Preference Shares; (b) equally in all respects with each other and without preference among themselves and with the holders of Parity Obligations; and (c) in priority to holders of the Ordinary Shares.</p> <p>On such Winding-Up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the Conditions have been made, be applied to the claims of the Offshore Preference Shareholders <i>pari passu</i> with the claims of holders of any Parity Obligations and in priority to the claims of the holders of Ordinary Shares.</p>

Rights to Dividends

Subject as provided in the Conditions, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends which have not been otherwise cancelled. Each dividend will be payable, subject as provided under the Conditions, annually in arrears on 10 November in each year. Subject as provided in the Conditions, the first such Dividend Payment Date will be 10 November 2017.

Dividends in respect of the Offshore Preference Shares for a Dividend Period shall be calculated by multiplying the relevant Dividend Rate by the Liquidation Preference of the Offshore Preference Shares and rounding the resulting figure to the nearest U.S. cent (half a U.S. cent being rounded upwards).

Dividend Rate

The Offshore Preference Shares will accrue dividends on their Liquidation Preference at the relevant Dividend Rate below:

- (a) from and including the Issue Date to but excluding the First Reset Date, at the rate of 5.50% per annum; and
- (b) thereafter, in respect of the period from and including the First Reset Date and each Reset Date falling thereafter to but excluding the immediately following Reset Date, at the relevant Reset Dividend Rate.

Conditions to Distribution of Dividends

Notwithstanding any other provision in the Conditions, the payment of any dividend on any Dividend Payment Date is subject to:

- (a) the Board (or within the delegated authority of the Board) having passed a resolution to declare such dividend in accordance with the Articles;
- (b) the Bank having distributable after-tax profits (which are the undistributed profits as shown in the financial statements of the parent company prepared in accordance with the Chinese Accounting Standards for Business Enterprises or the International Financial Reporting Standards, whichever amount is lower), after making up for the losses and setting aside amounts for the statutory reserve funds and general reserves in accordance with law; and
- (c) the relevant capital adequacy ratios of the Bank meeting the regulatory capital requirements for commercial banks.

Further, subject to a resolution to be passed at a Shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend otherwise scheduled to be paid on a Dividend Payment Date in the manner set out in the Conditions. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness that are due and payable.

The cancellation of any amount of dividend in accordance with these Conditions shall not constitute a default for any purpose by the Bank. Dividend payments are non-cumulative and any amount of dividend cancelled in accordance with these Conditions in the current Dividend Period will not be accumulated to the following Dividend Periods. The Offshore Preference Shareholders shall have no right to any cancelled dividend amount, whether on a Winding-Up or otherwise.

*Restrictions Following
Cancellation of Dividends*

If the Bank elects to cancel (in whole or in part) any dividend scheduled to be paid on a Dividend Payment Date (but not where such dividend has been cancelled pursuant to the Conditions upon the occurrence of a Trigger Event), the cancellation (in whole or in part) of such dividend on the Offshore Preference Shares will require a resolution to be passed at a Shareholders' general meeting. The Bank undertakes that any resolution passed at a Shareholders' general meeting that cancels a dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution and undertakes that it will not propose to any Shareholders' general meeting a resolution to cancel any dividend on the Offshore Preference Shares that is not a Parity Obligation Dividend Cancellation Resolution.

From the day immediately following the Parity Obligation Dividend Cancellation Resolution being approved at the Shareholders' general meeting, the Bank shall not make any distribution or dividend in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any Ordinary Shares or on any other class of shares or obligations that ranks or is expressed to rank junior to the Offshore Preference Shares, unless or until the earlier of: (i) the dividend scheduled to be paid on any subsequent Dividend Payment Date is paid in full to the Offshore Preference Shareholders; or (ii) the redemption or purchase and cancellation or the Conversion of all outstanding Offshore Preference Shares.

Conversion

If any Trigger Event occurs, the Bank shall (having notified and obtained the consent of the CBRC but without the need for the consent of holders of preference shares or the holders of Ordinary Shares):

- (a) cancel any dividend in respect of the relevant Loss Absorption Amount that is unpaid accrued up to and including the Conversion Date; and

- (b) irrevocably and compulsorily convert with effect from the Conversion Date all or some only of the Offshore Preference Shares into such number of H Shares as is equal to (i) the relevant Loss Absorption Amount (as converted into Hong Kong dollars at the fixed exchange rate of U.S.\$1.00 to HK\$7.7589) divided by (ii) the effective Conversion Price rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares, and any fractional share less than one H Share resulting from the Conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

The H Shares issuable upon Conversion shall be issued to a nominee appointed by the Bank to hold on behalf of the Offshore Preference Shareholders in accordance with the Conditions.

Conversion Price

The initial conversion price for the Offshore Preference Shares is HK\$4.44 per H Share, subject to adjustment as described in the Conditions.

The initial Conversion Price is equal to the net asset value per share disclosed in the Bank's 2015 annual report as at the end of 2015 and denominated in Hong Kong dollars, which has been converted with reference to the central parity rate of RMB to Hong Kong dollars used by the interbank foreign exchange market as published by the China Foreign Exchange Trade System on the Trading Day prior to the date of announcement of the Board resolution in respect of the issuance plan of the Offshore Preference Shares (rounded up to the nearest two decimal places).

The Conversion Price shall be adjusted if and whenever:

- (a) the Bank issues any H Shares credited as fully paid up to the Shareholders by way of bonus issuance or capitalisation issue;
- (b) (i) the Bank issues any H Shares (other than any H Shares issued on the exercise of any rights of conversion into, or exchange or subscription for, or purchase of, H Shares) at a price per H Share which is less than the closing price per H Share (as published by the Hong Kong Stock Exchange) on the trading day immediately preceding the date of the first public announcement of such issuance of new shares (being the announcement containing the effective and irrevocable terms of such issuance) or (ii) the Bank issues any H Shares by way of a rights issue; and
- (c) in the event that any rights and interests of the Offshore Preference Shareholders may be affected by any redemption of the Ordinary Shares by, or merger or division of, the Bank or any other circumstances that may cause changes in the Bank's share class, number of shares and/or shareholders' equity.

Optional Redemption

The Bank may, subject to obtaining CBRC Approval and compliance with the Redemption Preconditions, upon not less than 30 nor more than 60 days' notice to the Offshore Preference Shareholders and the Fiscal Agent, redeem in whole or in part of the Offshore Preference Shares on the First Reset Date and on any Dividend Payment Date thereafter. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption.

Taxation and Withholding

All payments of Liquidation Preference and/or Dividends in respect of the Offshore Preference Shares will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the PRC or any political subdivision or any authority thereof or therein having power to levy tax in the PRC, unless such withholding or deduction is required by the law of the PRC.

Limited Voting Rights

Pursuant to the Articles, Offshore Preference Shareholders shall not be entitled to convene, attend or vote at any Shareholders' general meeting, other than in the circumstances set out in the Conditions.

Only under certain circumstances as specified in the Articles and the Conditions may the Offshore Preference Shareholders be entitled to attend the Shareholders' general meeting and vote only upon such special matters, and the Offshore Preference Shareholders will be entitled to one vote in respect of each outstanding Offshore Preference Share and vote together with other preference shareholders as a separate class from the holders of Ordinary Shares. The Offshore Preference Shares held by, or on behalf of, the Bank shall have no voting rights.

Prescription

Any dividend unclaimed after a period of six years from the date when it became due for payment shall be forfeited and shall revert to the Bank, and the payment by the Board of any unclaimed Dividend or other sum payable on or in respect of an Offshore Preference Share into a separate account shall not constitute the Bank a trustee in respect of it. No dividend or other monies payable on or in respect of the Offshore Preference Shares shall bear interest as against the Bank.

*Restoration of
Voting Rights*

Subject to the cancellation of restored voting rights as described in the Conditions, if a voting rights restoration event as specified in the Conditions occurs, as from the day immediately following the date on which the Shareholders' general meeting resolves that the Bank will not pay such dividend which triggers the voting rights restoration event in full, each holder of an Offshore Preference Share shall, to the extent permitted under applicable shareholding law, be entitled to attend and vote upon any resolution proposed at any Shareholders' general meeting as if he or she was the holder of the Ordinary Shares.

Governing Law

The Offshore Preference Shares and the rights and obligations attached to them are governed by, and shall be construed in accordance with, PRC law.

Arbitration

If any disputes or claims in relation to the Bank's business, with respect to any rights or obligations under the Articles, Company Law or any other relevant laws and administrative regulations, arise between the Offshore Preference Shareholders and the Bank, between the Offshore Preference Shareholders and the Bank's directors, supervisors or members of senior management of the Bank, or between the Offshore Preference Shareholders and other Shareholders, the parties concerned shall submit such disputes or claims to arbitration.

Disputes with respect to the definition of the Offshore Preference Shareholders and disputes concerning the Register need not be resolved by arbitration.

APPLICATION FOR LISTING

An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Offshore Preference Shares the H Shares issuable upon Conversion of the Offshore Preference Shares pursuant to the Conditions. A further announcement will be made before listing of and dealings in the Offshore Preference Shares commence.

REASONS FOR THE ISSUANCE AND USE OF PROCEEDS

Headquartered in Hefei, Anhui Province, the Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the CBRC. The Bank's principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business, which encompass money market activities, investment and trading activities and transactions on behalf of customers.

In order to improve the overall competitiveness of the Bank and to ensure continuous business development of the Bank, the Bank plans to conduct a non-public issuance of not more than 60 million Offshore Preference Shares to raise proceeds not exceeding RMB6 billion or its equivalent to replenish the Bank's Additional Tier 1 Capital.

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on 3 November 2016, the gross proceeds from the offering of the Offshore Preference Shares will be approximately RMB5.99 billion. The Bank expects the proceeds raised from the Offshore Preference Shares issuance, after deduction of the expenses relating to the issuance, to be approximately RMB5.96 billion and, subject to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBRC and the CSRC, will be used to replenish the Bank's Additional Tier 1 Capital, increase the Tier 1 Capital Adequacy Ratio of the Bank and optimise the capital structure.

The Board considers that the proposed issuance of the Offshore Preference Shares is in the interests of the Bank and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Bank has not carried out any issue of equity securities for fund-raising purposes during the 12 months immediately preceding the date of this announcement.

CAPITAL POSITION OF THE BANK

Impact on the Bank's Share Capital

If there is no Trigger Event for Conversion, the issuance of the Offshore Preference Shares will not affect the ordinary share capital of the Bank. However, if Conversion is triggered, the Bank's ordinary share capital will be increased.

Assuming that an issue size equivalent to RMB6 billion of Offshore Preference Shares as approved by the Shareholders Resolutions were issued, and the simulated Conversion Price of the Conversion and voting right recovery were HK\$4.44 per share (which is equivalent to RMB3.72 per share, being the net asset value per share disclosed in the Bank's 2015 annual report as at the end of 2015, which shall be converted at the median rate of exchange of Renminbi to Hong Kong dollars (being RMB0.83968 to HK\$1.00) used by the interbank foreign exchange market as published by the China Foreign Exchange Trade System on 24 March 2016 (namely, the trading day immediately prior to the announcement date of the Board resolution on the Offshore Preference Share issuance plan) (rounded up to the nearest two decimal places) and denominated in Hong Kong dollars, and also assuming that all the Offshore Preference Shares were subject to Conversion and the Offshore Preference Shares to be converted to H Shares would not exceed 1,612,903,226 H Shares.

For illustrative purposes only, the table below sets forth the impact on the Bank's share capital structure if all the Offshore Preference Shares under the proposed issuance were converted into H Shares pursuant to the Conversion:

Share Capital	As at 30 June 2016		After Conversion of all the Offshore Preference Shares	
	Number of shares (share)	Percentage of share capital (%)	Number of shares (share)	Percentage of share capital (%)
Domestic Shares	7,887,319,283	71.38	7,887,319,283	62.29
H Shares	3,162,500,000	28.62	4,775,403,226	37.71
Total	<u>11,049,819,283</u>	<u>100.00</u>	<u>12,662,722,509</u>	<u>100.00</u>

Impact on Net Assets

The Offshore Preference Shares are considered as equity instruments. Upon completion of the issuance of the Offshore Preference Shares, the net assets of the Bank will increase.

Impact on Return on Equity and Earnings Per Ordinary Share Attributable to Equity Holders of the Bank

As the dividend payments to the Offshore Preference Shareholders will reduce the net profit after tax attributable to the equity holders of the Bank, based on the above calculation, the return on equity to the equity holders of the Bank and the earnings per Ordinary Share attributable to the equity holders of the Bank will decrease. However, the issuance of the Offshore Preference Shares will support the growth of interest generating assets of the Bank and increase revenue for the Bank. Therefore, since the proceeds from the offering of the Offshore Preference Shares are classified as Additional Tier 1 Capital, if the Bank maintains the current level of capital management efficiency, the issuance of the Offshore Preference Shares may have a positive impact on the return on equity to the equity holders of the parent company and the earnings per Ordinary Share attributable to equity holders of the Bank.

Impact of the Issuance of the Offshore Preference Shares on the Bank's Regulatory Capital Indicators

The Capital Management Rules were implemented on 1 January 2013, which required commercial banks to satisfy the stipulated regulatory requirements on Capital Adequacy Ratio, including the minimum capital requirement, the reserve capital requirement, the countercyclical capital requirement, the supplementary capital requirement on systemically important banks and the pillar 2 capital requirement, as detailed in the following table:

Regulatory Requirements	Minimum capital requirement
Core Tier 1 Capital Adequacy Ratio	5%
Tier 1 Capital Adequacy Ratio	6%
Capital Adequacy Ratio	8%
Reserve capital requirement	The reserve capital requirement will be gradually introduced during the transition period, which is 0.5% at the end of 2013, 0.9% at the end of 2014, 1.3% at the end of 2015, 1.7% at the end of 2016, 2.1% at the end of 2017 and 2.5% at the end of 2018. It is satisfied through Core Tier 1 Capital.
Countercyclical capital requirement	In certain circumstances, commercial banks are required to set aside funds for the account of the countercyclical capital beyond the minimum capital requirement and the reserve capital requirement. The countercyclical capital requirement is equal to 0-2.5% of the risk-weighted assets and it is satisfied through Core Tier 1 Capital.

Regulatory Requirements

Minimum capital requirement

Supplementary capital requirement on PRC systemically important banks

1% of the risk-weighted assets and to be satisfied through Core Tier 1 Capital.

Pillar 2 capital requirement

To be determined by CBRC under the pillar 2 framework.

Pursuant to the aforesaid requirements, the Core Tier 1 Capital Adequacy Ratio, the Tier 1 Capital Adequacy Ratio and the Capital Adequacy Ratio requirements for PRC commercial banks are 7.5%, 8.5% and 10.5%, respectively, at the end of 2018. As at 30 June 2016, the Bank achieved a Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio of 8.89%, 8.91% and 11.97%, respectively.

The following table sets out, for illustrative purposes only, information on certain of the Bank's regulatory capital indicators on an actual basis and as adjusted to give effect to the following assumptions: (i) that the issuance of the Offshore Preference Shares was completed on 1 January 2016 with an issue size equivalent to RMB6 billion and (ii) that dividends at (a) an Indicative Dividend Rate of 5% and 7% (such Indicative Dividend Rate is only for the purpose of illustrative calculation and is not the Bank's expected Dividend Rate of the Offshore Preference Shares to be issued) or (b) the actual Dividend Rate of 5.50% were fully paid, without taking into account any gains that may be generated from the use of proceeds or deducting any dividends paid to Offshore Preference Shareholders before tax.

	As at 30 June 2016							
	Actual		Adjusted				Based on Actual	
			Based on Indicative Dividend Rate of 5%		Based on Indicative Dividend Rate of 7%		Dividend Rate	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank
	<i>(in RMB millions, unless otherwise specified)</i>							
Net Core Tier 1 Capital ⁽¹⁾	43,277	41,491	42,977	41,191	42,857	41,071	42,947	41,161
Net Tier 1 Capital ⁽²⁾	43,354	41,491	49,054	47,191	48,934	47,071	49,024	47,161
Net total capital ⁽²⁾	58,250	56,185	63,950	61,885	63,830	61,765	63,920	61,855
Core Tier 1 Capital Adequacy Ratio	8.89%	8.81%	8.83%	8.74%	8.81%	8.72%	8.82%	8.74%
Tier 1 Capital Adequacy Ratio	8.91%	8.81%	10.08%	10.02%	10.05%	9.99%	10.07%	10.01%
Capital Adequacy Ratio	11.97%	11.92%	13.14%	13.13%	13.11%	13.11%	13.13%	13.13%

Notes:

- (1) The calculation of net Core Tier 1 Capital (as adjusted) has taken into account the dividends paid on the Offshore Preference Shares and the corresponding reduction in capital reserves but does not take into account the increase in risk-weighted assets, or the financial return/loss, from the use of proceeds raised from the issuance of the Offshore Preference Shares.
- (2) The calculation of net Tier 1 Capital (as adjusted) and net capital base (as adjusted) has taken into account the dividends paid on the Offshore Preference Shares and the corresponding reduction in capital reserves as well as the increase in Additional Tier 1 Capital from the issuance of the Offshore Preference Shares but does not take into account the increase in risk-weighted assets, or the financial return/loss, from the use of proceeds raised from the issuance of the Offshore Preference Shares.

As calculated based on the financial information of the Bank as at 30 June 2016, after the issuance of the Offshore Preference Shares, both Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio of the Group will increase by 1.17% to 10.08% and 13.14%, respectively (on the basis the Dividend Rate is 5%), or both Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio of the Group will increase by 1.14% to 10.05% and 13.11%, respectively (on the basis the Dividend Rate is 7%).

	As at 30 June 2016	
	5% Dividend Rate	7% Dividend Rate
Tier 1 Capital Adequacy Ratio	10.08%	10.05%
Capital Adequacy Ratio	13.14%	13.11%

Overall, the issuance of the Offshore Preference Shares should assist the Bank in continuing to meet the minimum capital requirements and raise its Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio. In addition, the issuance of the Offshore Preference Shares helps the Bank develop supplementary sources of funds to replenish its Additional Tier 1 Capital as opposed to satisfying the Tier 1 Capital Adequacy Ratio requirement solely through the Core Tier 1 Capital of the Bank. Moreover, the issuance of the Offshore Preference Shares is conducive to alleviating the dilution effect on the equity interests of the Shareholders from funds raised through the issuance of Ordinary Shares, thereby optimising the capital structure of the Bank.

WAIVER FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In connection with the listing of the Offshore Preference Shares, the Bank has applied to, and has been granted applicable waivers by, the Hong Kong Stock Exchange from strict compliance with a number of provisions of the Hong Kong Listing Rules.

Those waivers are applied on the following basis:

- The Offshore Preference Shares are more akin to fixed income products such as quasi-debt securities and they have more characteristics in common with debt securities than with equity securities. In particular, the Offshore Preference Shares have a fixed dividend rate and in the event of a redemption, the Offshore Preference Shares will be redeemed at 100% of their issue price. The Offshore Preference Shares may be converted to H Shares but such conversion will be mandatory and will only occur when there is an Additional Tier 1 Capital Instrument Trigger Event or if the Bank reaches a point of financial non-viability.
- The Offshore Preference Shares will be offered to institutional and professional investors only by way of a private placement and will not be made accessible to retail investors. The Offshore Preference Shares are structured in a way that they will not be “Eligible Securities” under the Hong Kong Listing Rules and will not be admitted to the Central Clearing and Settlement System for clearance and settlement. Trading of the Offshore Preference Shares is not expected to take place on the Hong Kong Stock Exchange either on issue or in the secondary market. Instead, the Offshore Preference Shares will be cleared and settled through Euroclear and Clearstream, Luxembourg which is similar to other professionals-only debt securities listed under Chapter 37 of the Hong Kong Listing Rules. The Offshore Preference Shares are therefore designed never to trade on, or otherwise use the facilities of, the Hong Kong Stock Exchange.

The waivers being sought by and granted to the Bank are broadly classified into the following categories:

- those in relation to qualifications of listing that are required to cater for the fact that the Offshore Preference Shares are fixed income securities offered only to professional investors;
- those that are required to enable the Offshore Preference Shares to be offered only to institutional and professional investors and not retail investors;
- those that are required to enable the Offshore Preference Shares to be structured in a way that meets the expectations of institutional and professional investors for these type of securities to allow for a plausible offering; and
- those that are required in order to enable the Bank not subject to compliance obligations that do not commensurate with the offering and listing of securities similar to debt securities that are made available only to institutional and professional investors.

The waivers being sought by and granted to the Bank are listed below:

- Rule 2.07A(2): Requirements for an express, positive confirmation in writing from each holder of the Offshore Preference Shares that corporate communications may be made available using electronic means, and all corporate communications be sent to holders of the Offshore Preference Shares
- Rule 2.07A(3): Requirement for providing the right of holder of the Offshore Preference Shares to request corporation communications in printed hardcopy form
- Rules 2.07C(1)(b)(i), 2.07C(4)(b), 2.07C(6) and 11.14: Requirements that the listing document should be made available to the public and be accompanied by a Chinese translation
- Rule 7.10: Placing guidelines in respect of placements of the Offshore Preference Shares to the general public
- First part of paragraph 3 and paragraphs 4, 5, 6, 8 and 10 of Appendix 6: Placing guidelines in respect of placements of the Offshore Preference Shares to the general public
- Rule 8.07: Requirement of adequate market and sufficient public interest for the Offshore Preference Shares
- Rule 8.08: Requirement of an open market for the Offshore Preference Shares
- Rules 8.13A and 9.21(2): Admission of the Offshore Preference Shares as Eligible Securities (as defined in the Hong Kong Listing Rules) by Hong Kong Securities Clearing Company Limited
- Rules 8.16 and 19A.13(3)(a): Appointment of an approved share registrar to maintain the register of members for the Offshore Preference Shares in Hong Kong

- Rule 9.23(2)(a): Requirement for marketing statements from the lead broker, any distributors and every Exchange Participant (as defined in the Hong Kong Listing Rules) with the Offshore Preference Shares to be placed
- Rule 9.23(2)(b) and paragraph 11 of Appendix 6: Submission of placee lists in respect of the Offshore Preference Shares
- Rules 11.12, 19A.26(1) and paragraph 2 of Appendix 1B: Requirement for a directors' statement of responsibility in respect of information contained in the listing document
- Rules 12.03, 12.04, 12.05 and 12.07: Requirements in respect of the timing, publication format and information to be disclosed in the formal notice for placing of the Offshore Preference Shares, and that the formal notice should be made available to the public and be made in both English and Chinese language
- Paragraphs 6(1), 6(3), 13, 30, 32, 39, 40(1) and 40(2) of Appendix 1B: Certain specific disclosure requirements in the listing document:
 - Paragraphs 6(1) and 6(3): details of the exchanges on which other debt securities are listed, and particulars of the dealing and settlement arrangements on each such exchange and between such exchanges
 - Paragraph 13: a statement of the net tangible asset backing for the Offshore Preference Shares
 - Paragraph 30: a working capital statement by the directors in respect of a period of at least 12 months
 - Paragraph 32: a statement of no material adverse change provided by the directors
 - Paragraph 39: particulars of directors' service contracts
 - Paragraphs 40(1) and 40(2): particulars of interests of directors in assets of the Bank and contracts or arrangements of significance
- Paragraph 5 of Appendix 8: Payment of transaction levy on the issuance of the Offshore Preference Shares
- Paragraph 6 of Appendix 8: Payment of trading fee on the issuance of the Offshore Preference Shares

Completion of the Subscription Agreement and issue of the Offshore Preference Shares is subject to the satisfaction or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“Additional Tier 1 Capital”	has the meaning given to Additional Tier 1 Capital (其他一級資本) (or any equivalent or successor term) in the Capital Management Rules
“Additional Tier 1 Capital Instrument Trigger Event”	if at any time, the Bank determines the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below
“Articles”	the articles of association of the Bank
“Bank”	Huishang Bank Corporation Limited
“Benchmark Rate”	in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the yield on U.S. Treasury securities having a maturity of five years as is displayed on Bloomberg page “PX1” (or any successor or alternative page or service displaying yields on U.S. Treasury securities as agreed between the Bank and the Calculation Agent) at 6:00 p.m. (Hong Kong time) on such Reset Determination Date. If such page (or any successor page or service) does not display the relevant yield at 6:00 p.m. (Hong Kong time) on the Reset Determination Date, “Benchmark Rate” shall mean the rate per annum (expressed as a percentage) equal to the yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant Reset Determination Date
“Board”	the board of directors of the Bank
“Business Day”	a day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and the city in which the specified office of the Calculation Agent is located
“Calculation Agent”	Deutsche Bank AG, Hong Kong Branch
“Capital Adequacy Ratio”	has the meaning given to it in the Capital Management Rules
“Capital Management Rules”	the Measures on Capital Management of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)) issued by the CBRC on 7 June 2012 and which became effective on 1 January 2013 (as amended from time to time)
“CBRC”	the China Banking Regulatory Commission or its China banking regulatory affiliates or any successor entity

“CBRC Approval”	such approval, consent or non-objection from, or notification required within prescribed periods to, the CBRC, or such waiver of the Capital Management Rules from the CBRC, as is required under the Capital Management Rules
“Clearstream, Luxembourg”	Clearstream Banking, S.A.
“Closing Date”	10 November 2016 or such later date, not being later than 24 November 2016, as the Bank and the Joint Lead Managers may agree to postpone
“Comparable Treasury Issue”	the U.S. Treasury security selected by a financial institution of international repute as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years
“Comparable Treasury Price”	with respect to the relevant Reset Determination Date, the average of three Reference Treasury Dealer Quotations for such Reset Determination Date
“Conditions”	Terms and Conditions of the Offshore Preference Shares
“Conversion” or “Converted”	irrevocably and compulsorily conversion with effect from the Conversion Date of all or some of the Offshore Preference Shares into such number of H Shares as is equal to (i) the relevant Loss Absorption Amount (as converted into Hong Kong dollars at the fixed exchange rate of U.S.\$1.00 to RMB7.7589), divided by (ii) the effective Conversion Price rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares
“Conversion Date”	the day immediately following: <ul style="list-style-type: none"> (a) in respect of any Additional Tier 1 Capital Instrument Trigger Event, the date (whichever occurs later) on or by which (i) the CBRC has decided such Additional Tier 1 Capital Instrument Trigger Event has occurred and notified the Bank of such Additional Tier 1 Capital Instrument Trigger Event and (ii) any of the CBRC or the Bank has made a public announcement of such Additional Tier 1 Capital Instrument Trigger Event; or (b) in respect of any Non-Viability Trigger Event, the date (whichever occurs later) on or by which (i) the CBRC or the relevant authorities (as the case may be) has (i) decided such Non-Viability Trigger Event has occurred and notified the Bank of such Non-Viability Trigger Event and (ii) any of the CBRC, the relevant authorities of the Bank (as the case may be) has made a public announcement of such Non-Viability Trigger Event

“Conversion Price”	the initial conversion price for the Offshore Preference Shares is HK\$4.44 per H Share, subject to adjustment as described in the Conditions
“Core Tier 1 Capital”	has the meaning given to Core Tier 1 Capital (核心一級資本) (or any equivalent or successor term) in the Capital Management Rules
“Core Tier 1 Capital Adequacy Ratio”	as at any date has the meaning given to Core Tier 1 Capital Adequacy Ratio (核心一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules, being the ratio of Core Tier 1 Capital of the Bank as of such date to the risk weighted assets of the Bank as of the same date, expressed as a percentage
“CSRC”	the China Securities Regulatory Commission or any successor entity
“Dividend Payment Date”	10 November in each year
“Dividend Period”	the period beginning on and including the Issue Date and ending on but excluding the next succeeding Dividend Payment Date and each successive period beginning on and including a Dividend Payment Date and ending on but excluding the next succeeding Dividend Payment Date
“Dividend Rate”	5.50% per annum or the applicable Reset Dividend Rate, as the case may be
“Domestic Share(s)”	ordinary shares 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
“Euroclear”	Euroclear Bank SA/NV
“First Reset Date”	10 November 2021
“Fiscal Agent”	Deutsche Bank AG, Hong Kong Branch
“Global Certificate”	the global certificate representing the Offshore Preference Shares which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg
“Group”	the Bank and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of par value RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange under the stock code 3698 and traded in Hong Kong dollars

“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Issue Date”	10 November 2016
“Issue Documents”	the Subscription Agreement, the deed of covenant entered into by the Bank, the fiscal agency agreement with Deutsche Bank AG, Singapore Branch as registrar, Deutsche Bank AG, Hong Kong Branch as fiscal agent, calculation agent and paying agent, the transfer agents and the other paying agents, the receiving agency agreement with Computershare Hong Kong Trustees Limited as receiving agent and the agreement with, among others, the receiving agent and fiscal agent
“Joint Global Coordinators”	BOCI Asia Limited, CCB International Capital Limited, Deutsche Bank AG, Singapore Branch, Haitong International Securities Company Limited, The HongKong and Shanghai Banking Corporation Limited and UBS AG Hong Kong Branch
“Joint Lead Managers”	the Joint Global Coordinators and ABCI Capital Limited, CEB International Capital Corporation Limited, China Merchants Securities (HK) Co., Ltd., CLSA Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Essence International Securities (Hong Kong) Limited, Guoyuan Capital (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
“Liquidation Preference”	the total issuance price of each Offshore Preference Share, which will be U.S.\$20
“Loss Absorption Amount”	<p>the aggregate Liquidation Preference of the Offshore Preference Shares to be Converted, with such aggregate number of Offshore Preference Shares to be Converted being:</p> <p>(a) in respect of an Additional Tier 1 Capital Instrument Trigger Event:</p> <p>(i) the number of Offshore Preference Shares that (together with the write-off or conversion of any loss absorbing instruments) would be sufficient to restore the Bank’s Core Tier 1 Capital Adequacy Ratio to above 5.125%; or</p>

	(ii) if the Conversion of all the Offshore Preference Shares (together with the write-off or conversion of any loss absorbing instruments) would be insufficient to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above 5.125%, all of the Offshore Preference Shares; and
	(b) in respect of a Non-Viability Trigger Event, all of the Offshore Preference Shares
“NDRC”	the National Development and Reform Commission of the PRC or any successor entity
“Non-Viability Trigger Event”	the earlier of: <ul style="list-style-type: none"> (a) the CBRC having decided that without a conversion or write-off of the Bank's capital the Bank would become non-viable; and (b) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable
“Offering Circular”	an offering circular dated 3 November 2016 for use in connection with the offer of the Offshore Preference Shares and the listing of the Offshore Preference Shares on the Hong Kong Stock Exchange
“Offshore Preference Share(s)”	the U.S.\$888,000,000 5.50% Non-Cumulative Perpetual Offshore Preference Share(s) to be issued by the Bank outside the PRC to investors on or about the Issue Date
“Offshore Preference Shareholder(s)”	holder(s) of any Offshore Preference Shares
“Ordinary Share(s)”	the Domestic Share(s) and the H Share(s) of the Bank
“Parity Obligation Dividends Cancellation Resolution”	a resolution of the Shareholders that resolves irrevocably to cancel payment (and if in part, then in proportion to the full amounts payable) of each dividend or distribution falling due or scheduled for payment on the Offshore Preference Shares and any Parity Obligations outstanding on the date the resolution is passed, in each case for a period of 12 months (or such longer period as such resolution specifies which is in integral multiples of 12 months in excess thereof) following the date of such resolution

“Parity Obligations”	any other class of preference shares in the capital of the Bank from time to time and any other obligations that rank, or are expressed to rank equally, with the Offshore Preference Shares (either issued directly by the Bank or by a subsidiary where the terms of such obligations benefit from a guarantee or support agreement whereby obligations therein rank, or are expressed to rank equally, to the Offshore Preference Shares), whether issued in or outside the PRC
“PRC”	the People’s Republic of China, excluding, for purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC, or Macau, and the region of Taiwan
“Redemption Preconditions”	<p>in relation to any redemption of the Offshore Preference Shares, the Bank’s compliance of the following conditions:</p> <ul style="list-style-type: none"> (a) the Bank shall use capital instruments of the same or superior quality to replace the Offshore Preference Shares to be redeemed and such replacement shall only be made at a time at which the Bank has a sustainable income generating capability; or (b) the capital position of the Bank immediately after redemption of the Offshore Preference Shares will remain significantly higher than the regulatory capital requirements prescribed by the CBRC
“Reference Treasury Dealer”	each of the three nationally recognised investment banking firms selected by a financial institution of international repute that are primary U.S. Government securities dealers
“Reference Treasury Dealer Quotations”	with respect to each Reference Treasury Dealer and a Reset Determination Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at or around 6.00 p.m. (New York City time) on such Reset Determination Date
“Regulation S”	Regulation S under the Securities Act
“Reset Date”	the First Reset Date and each date that falls five, or a multiple of five, years following the First Reset Date
“Reset Determination Date”	in relation to a Reset Period, the day falling three Business Days prior to the Reset Date on which such Reset Period commences

“Reset Dividend Rate”	the dividend rate per annum (expressed as a percentage) representing the sum of the Benchmark Rate as at the relevant Reset Determination Date in relation to that Reset Period and a fixed margin of 4.231% per annum, as determined by the Calculation Agent
“Reset Period”	the period from and including the First Reset Date to but excluding the next succeeding Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date
“RMB”, “CNY” or “Renminbi”	the lawful currency of the PRC
“Securities Act”	the U.S. Securities Act of 1933, as amended
“Shareholders”	holders of any class of share of the Bank from time to time
“Shareholders Resolutions”	the resolutions adopted by the shareholders of the Bank passed on 20 June 2016
“Subscription Agreement”	the subscription agreement in respect of the Offshore Preference Shares entered into between the Bank, the Joint Global Coordinators and the Joint Lead Managers on 3 November 2016
“Tier 1 Capital Adequacy Ratio”	has the meaning given to Tier 1 Capital Adequacy Ratio (一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules
“Trigger Event”	an Additional Tier 1 Capital Instrument Trigger Event or a Non-Viability Trigger Event, as the case may be
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S.\$” or “U.S. dollars”	the lawful currency of the United States of America
“Winding-Up”	proceedings in respect of the Bank for liquidation, dissolution, insolvency or other similar proceeding in respect of the Bank (except for the purposes of a reconstruction, consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by a special resolution of the Offshore Preference Shareholders)

By order of the Board
Huishang Bank Corporation Limited*
LI Hongming
Chairman

Hefei, Anhui Province, China
3 November 2016

As at the date of this announcement, the Board of the Bank comprises Li Hongming, Xu Demei, 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, Fung Weichang 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.*