

OVERVIEW

We are the fifth largest rural commercial bank¹ in China in terms of total assets as of December 31, 2020, according to the “Top 100 Banks in China in 2021” released by China Banking Association in 2021². According to the British journal “The Banker” published in July 2021, we ranked the 261st among commercial banks globally, the 44th among commercial banks in the PRC and the sixth among the rural commercial banks in the PRC in terms of tier-one capital as of December 31, 2020.

We are the leading commercial bank in Dongguan. Our Bank has ranked the first among banking institutions in Dongguan each year since 2005 in terms of year-end balance of RMB-denominated deposits and loans, according to PBoC Dongguan Center Branch. As of March 31, 2021, RMB-denominated deposits and loans of our Bank accounted for approximately 18.78% and 18.63% of the balances of RMB-denominated deposits and loans of all the banking institutions in Dongguan as of the same date, respectively, according to the same source.

We provide tailor-made financial products and services through our extensive distribution network in Dongguan. According to CBIRC Dongguan Office, we have the largest number of outlets among commercial banks in Dongguan. As of the Latest Practicable Date, 501 out of the total 505 outlets of our Bank were located in Dongguan that cover all administrative districts. Such broad network coverage extends customer reach and deepens penetration into the local market. As of the Latest Practicable Date, we also had four branches outside Dongguan, located in Guangzhou, Zhuhai, Huizhou and Qingyuan in Guangdong Province, respectively. In addition, we have jointly-established four county banks with third parties, which are located in Dongguan, Huizhou and Yunfu in Guangdong Province and Hezhou in Guangxi Zhuang Autonomous Region. We also jointly-established two rural commercial banks in Zhanjiang and Shantou in Guangdong Province.

Leveraging our in-depth knowledge of the local economy, based on changes and development focuses of local economic and industrial policies, we proactively manage our operations and promptly respond to financial needs of our core local customers, including modern Sannong (三農) customers, modern manufacturing “three chains” customers, SMEs customers and other private enterprises. Strategically we focus on strengthening our five financial brands, namely, “Retail Finance” that provides all-round financial services to retail customers, “Industrial Finance” that emphasizes serving key industries in Dongguan, “SME Finance” that provides comprehensive financial services to SMEs, “Inter-bank Finance” that integrates cross-market services and “Digital Finance” that aims to capture the digital trend to develop our online business, which we believe enable us to procure quality customers through a market-focused approach and by providing comprehensive financial services, and therefore enhance our overall competitiveness.

We are committed to business prudence and sustainable development. Supported by our comprehensive risk management system, we achieved considerable growth in asset size while maintaining our asset quality. Our total assets increased from RMB407,904.7 million as of December 31, 2018 to RMB548,402.0 million as of December 31, 2020, representing a CAGR of 16.0%. As of March 31, 2021, our total assets has further

¹ Rural commercial bank is a type of rural financial institutions which originated from rural credit cooperatives, pursuant to the Notice on Deepening the Pilot Program of Rural Credit Cooperatives Reform (《關於深化農村信用社改革試點方案的通告》) (Guo Fa [2003] No.15) issued by the State Council.

² Not including commercial banks of which annual reports or effective audited annual reports were not available at the issuance of the rankings in July 2021.

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increased to RMB564,558.2 million. As of December 31, 2018, 2019 and 2020, our NPL ratio was 1.27%, 1.00% and 0.82%, respectively, lower than the arithmetic mean of NPL ratios of PRC regional banks (including city commercial banks and rural commercial banks) that were listed in Hong Kong as of the date of this prospectus, which was 1.86%, 2.04% and 1.90% as of the same dates, respectively, based on data extracted from the published annual reports of such PRC regional banks. Our NPL ratio further decreased to 0.79% as of March 31, 2021.

In addition, we maintained strong profitability and operational efficiency during the Track Record Period. Our operating income increased from RMB9,777.6 million for the year ended December 31, 2018 to RMB12,047.0 million for the year ended December 31, 2020, representing a CAGR of 11.0%. For the three months ended March 31, 2020 and 2021, our operating income amounted to RMB3,173.1 million and RMB3,156.0 million respectively. Our net interest margin increased from 2.05% for the year ended December 31, 2018 to approximately 2.16% for the year ended December 31, 2020 and our net interest spread increased from approximately 1.98% for the year ended December 31, 2018 to approximately 2.10% for the year ended December 31, 2020. For the three months ended March 31, 2021, our net interest margin and net interest spread was 1.98% and 1.91%, respectively. For the year ended December 31, 2020, our return on average assets was 1.00% and return on average equity was 13.64%, higher than the arithmetic mean of the returns on average assets and returns on average equity of PRC regional banks (including city commercial banks and rural commercial banks) that were listed in Hong Kong as of the date of this prospectus, which was approximately 0.52% and 6.91% for the same year, respectively, based on data extracted from the published annual reports of such PRC regional banks. For the three months ended March 31, 2021, our return on average assets was 1.26% and return on average equity was 16.71%. Our Bank was among the first group of rural credit cooperatives association approved by PBoC to participate in the inter-bank financing market in China. According to CCICR our corporate credit rating has remained at AAA, the highest credit rating of corporates in China since October 2017.

OUR COMPETITIVE STRENGTHS

We benefited from China's financial reforms in the rural areas. We have been in operation for more than 69 years as our history can be traced back to 1952, when one of our predecessors was established as the first rural cooperative organization in Dongguan. We have grown and prospered together with Dongguan's economy. We have established our competitive strengths through our long operational history and commitment to reform and transformation.

The Fifth Largest Rural Commercial Bank in China with Distinctive Geographic Advantage in the Greater Bay Area

According to the "Top 100 Banks in China in 2021" released by China Banking Association in 2021, we are the fifth largest rural commercial bank in China in terms of total assets as of December 31, 2020. As of March 31, 2021, we had total assets of RMB564,558.2 million, deposit balance of RMB389,641.3 million and loan balance (excluding accrued interest and provision for expected credit losses) of RMB275,750.6 million. We recorded operating income of RMB12,047.0 million, RMB3,173.1 million and RMB3,156.0 million, operating profit of RMB5,347.8 million, RMB1,727.6 million and RMB1,984.4 million as well as net profit of RMB5,055.3 million, RMB1,527.5 million and RMB1,759.2 million for the year ended December 31, 2020 and for the three months ended March 31, 2020 and 2021.

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Benefited from China's economic reform and opening up policy, Dongguan has become a world-renowned manufacturing hub. Dongguan has a booming economy, comprehensive industry infrastructure, fast-growing high-tech and advanced manufacturing industries, evidenced by one national industrial cluster and 11 provincial industrial clusters. In particular, Dongguan has an advanced industrial chain of smart phone production. According to the Statistical Report on the Civil Economy and Social Development in Dongguan in 2020 (2020年東莞市國民經濟和社會發展統計公報) released by Statistics Bureau of Dongguan, the GDP of Dongguan in 2020 was RMB965.0 billion, representing an increase of 1.1% from 2019. The production output of advanced manufacturers and high-tech manufacturing industry contributed 50.9% and 37.9% of the increase in large-scale manufacturing industry in Dongguan, respectively. The strong economical growth provided a favorable environment for the development of the financial industry.

We strive to fully leverage our advantage as a local bank in Dongguan. Our operations are market-oriented and we are committed to the business philosophy that "Customers are our greatest assets (客戶是我們最大的財富)". We streamlined our decision-making chain to quickly respond to customer needs in an effort to maintain our leading market share in the local market. We have in-depth local knowledge as we maintain close contact with local companies and the Village Groups in Dongguan. As of the Latest Practicable Date, our Bank had 501 outlets that cover all administrative areas in Dongguan, which grant us deep local penetration and extensive customer reach. As of March 31, 2021, our bank had approximately 19.1 million retail banking customers and 407,500 corporate banking customers. According to PBoC Dongguan Center Branch, as of December 31, 2018, 2019 and 2020 and March 31, 2021, we maintained the largest market share in Dongguan in terms of the balances of deposits and loans. Simultaneously, we steadily implemented cross-regional expansion and have set up branches in the cities of Guangzhou, Zhuhai, Huizhou and Qingyuan, and established early presence in these important cities in the Greater Bay Area.

Dongguan faces historical growth opportunities arising mainly from three major government initiatives, namely, to develop the Greater Bay Area, to implement socialism with Chinese characteristics in Shenzhen as a pilot area, and to promote supply-side structural reform of the manufacturing industry in Dongguan as an innovation incubating zone. Dongguan is located in the geometric center of the Greater Bay Area, with a well-developed transportation network, and it is within one-hour's travel time to Guangzhou, Shenzhen and Hong Kong. The full industry chain in the region is expected to help Dongguan become a key node city in the Greater Bay Area and bring new strategic opportunities for our development.

A Solid Foundation for Our Growth Provided by the Prospering Local Modern Sannong (三農) Businesses

Dongguan has evolved into an industrial center from a rural area and the urbanization rate of Dongguan is high. The modern Sannong businesses in Dongguan are prosperous and in line with the urbanization process of Dongguan.

As a commercial bank that commenced its operation in the rural area, we have been focusing on the rural banking market and have maintained a leading position in servicing the Village Groups in Dongguan. We believe that the Village Groups and their residents are important customer bases of our deposits and loans businesses. As of March 31, 2021, our Bank had 3,988 Village Group accounts, which are held by relevant Village Groups, being organizations such as share cooperative, economic cooperative, economic union, joint stock economic union, professional cooperative, village committee and resident committee. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the total deposits of the Village Groups were RMB35.4 billion,

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RMB40.9 billion, RMB52.1 billion and RMB47.6 billion, respectively, representing 32.8%, 33.5%, 37.2% and 32.5% of the total corporate deposits of our Bank as of the same dates. The total deposits includes principal-guaranteed wealth management products of RMB5,825.0 million, RMB2,799.7 million, RMB401.1 million and RMB228.0 million, respectively, as of the same dates, which are categorized as deposits of our Bank pursuant to the relevant regulatory requirements. Due to the sound financial position of the Village Groups, dividends received by the residents also contributed to the increase of our deposit balance. As of March 31, 2021, our Bank had approximately 285,852 accounts held by the Village Group residents for dividend deposit, which are used by Village Groups to distribute the dividends to their Village Group residents. The total dividends and other distribution handled through such accounts by our Bank were over approximately RMB7,535.6 million, RMB8,300.7 million, RMB13,533.9 million and RMB8,284.3 million in 2018, 2019, 2020 and for the three months ended March 31, 2021, respectively, representing an increase in land demolition compensation and Village Group dividends resulted from urban renewal project in Dongguan during recent years.

Modern Sannong businesses in Dongguan are well-developed and provide quality customer base for our loan business. Leveraging our in-depth knowledge of rural financial market, our Bank provides a wide variety of corporate and retail banking products and services to Sannong businesses and owners in order to expand Sannong-related operations. Such products and services help us grow both our loans and deposits businesses, which include “The Greater Bay Area Upgrade Loan”(灣區升級貸) for properties renovation by the Village Groups, in response to the Dongguan government’s promotion for the upgrade of rural industrial parks; “Easy Village Payment”(村繳易) for rent collection by the Village Groups; “Rural Industrial Zone Loan”(農業園區貸), “Rural Leader Loan”(農業龍頭貸) and “Rural Market Loan”(農貿市場貸) to support the agricultural products processing and wholesale businesses, in response to the Dongguan government’s initiatives to develop modern agriculture industries; and various credit loan products for consumption demand of the Village Group residents to improve their quality of living. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our agriculture-related loans was approximately RMB18,396.5 million, RMB24,800.5 million, RMB28,829.6 million and RMB32,275.4 million, respectively, as measured by regulatory standards, representing approximately 11.4%, 13.0%, 12.0% and 12.8% of our total loans and advances to customers as of the same dates.

We believe that our large Sannong customer base, diversified financial products and services for Sannong customers, and prudent credit risk management of our modern Sannong related operations give us distinctive competitive advantages.

Comprehensive Retail Banking Services and Steadily Growing Retail Banking Business

As a major city in Guangdong Province, according to the Seventh National Population Census Report of Guangdong Province (《廣東省第七次全國人口普查公報》) as of November 1, 2020, Dongguan had approximately 10.5 million permanent residents. According to the Research Report on the Vitality of Chinese Cities for 2020 (《2020年度中國城市活力研究報告》), Dongguan’s population appeal index ranked the third in the PRC, which laid a solid foundation for our retail banking business. According to the 2020 Hurun Wealth Report (《2020年胡潤財富報告》) issued by the Hurun Research Institute, Dongguan has approximately 58,700 “affluent families” with over RMB6 million of assets, and approximately 25,000 “high net worth families” with over RMB10 million of assets. Such families have significant demand for wealth management.

The rapid growth of our retail banking business is driven by our customized products, customer-oriented services and extensive outlet network. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the

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balance of our individual deposits from retail banking customers was RMB151,447.0 million, RMB180,410.0 million, RMB221,391.8 million and RMB227,079.8 million, respectively. The balance of our personal loans to retail banking customers maintained satisfactory growth to RMB49,541.7 million, RMB80,048.3 million, RMB98,015.9 million and RMB105,073.8 million, respectively. According to the PBoC Dongguan Center Branch, as of March 31, 2021, our RMB-denominated deposit and loan balances accounted for 18.78% and 18.63% of total deposit and loan balances in Dongguan, respectively. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, operating income from our retail banking business was RMB4,012.8 million, RMB4,523.9 million, RMB5,286.1 million, RMB1,281.4 million and RMB1,287.2 million, respectively. As of March 31, 2021, our assets under management of retail customers amounted to RMB222,231.8 million, representing an increase of RMB16,764.2 million from the same period in the previous year.

A large proportion of low-cost deposits. We have formulated a strategy of treating deposits as the foundation of our operations and strive to increase our deposits. During the Track Record Period, we continued to increase the year-end balances of both our demand deposits and time deposits with a term of one year or less, which had relatively low interest expense. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our individual demand deposits from retail banking customers was RMB79,817.1 million, RMB91,456.5 million, RMB102,798.2 million and RMB101,253.8 million, respectively and accounting for 30.1%, 29.1%, 27.2% and 26.0% of the total deposits from customers as of the same dates, which provided us a stable source of low-cost fund.

Efficient operation through all channels. We continuously improve our marketing channels with efficient network management. The marketing function of our Bank is structured as a network with its members in different positions responsible for specified tasks. We have built a specialized marketing team who work to improve our market share and business coverage. We have also established online channels, such as internet banking, mobile banking, WeChat banking and D+Bank App to improve customers' traffic and loyalty.

Upgraded customer services. We promote standardized customer services at our outlets. Two of our outlets were awarded "Top 1000 Banking Outlets (中國銀行業千佳網點)" and 11 of our outlets were awarded "Exemplary Outlet with Standardized and Courteous Service (中國銀行業文明規範服務星級網點)" as of the Latest Practicable Date. In 2015, we launched our private banking business to improve our high-end services to high-net worth customers.

A New Model of Industrial Finance Business that Covers Upstream and Downstream Industry Chain

As an international manufacturing base, Dongguan has established a relatively complete manufacturing eco-system, with distinctive industrial clusters. We have introduced a new industrial financing system to enhance our competitiveness in the financial market. Since 2017, we identified ten key industries including education, environmental protection, medical and pharmaceutical, intelligent city, industrial park, high-end manufacturing, new generation information technology, mould, furniture and food industries, and designed and offered seven tailor-made comprehensive financial service plans for these industries, namely, "Green Financing (綠融通)", "Campus Financing (校融通)", "Bank-Hospital Financing (銀醫通)", "Smart Financing (智融通)", "Park Financing (園融通)", "Bay Area Financing (灣融通)" and "City Financing (城新通)".

We adopt a new "1+3+N" grid-based marketing model for our industrial finance business. Such model starts with core enterprises, projects or platforms in the industry as a step-one and expands the coverage of our

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financial services to “three chains”, namely the industrial chain, supply chain and value chain, and numerous SMEs and retail banking customers related to such chains, in order to quickly and efficiently extend customer reach, procure new customers, and upgrade grid-based service management that achieve seamless services, full management coverage and prompt response to our customer needs with well-rounded management and services. We have established a platform for online industry financial services and launched services such as smart data, supply chain financing and smart risk control, improving our industry financial services.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the total number of customers of our Bank in the ten key industries were approximately 116,900, 122,900, 125,800 and 126,400, respectively. As of the same dates, the balance of our corporate loans to enterprises in the ten key industries were approximately RMB24,951.7 million, RMB29,686.4 million, RMB42,536.9 million and RMB47,519.1 million, respectively, representing 26.1%, 27.6%, 31.1% and 32.8% of our total corporate loans as of the same dates, respectively.

A New Model of SME Finance Business that Increases Market Share in Emerging Financial Market

The private sector in Dongguan is sizable and plays a significant role in local economy. A large number of SMEs in Dongguan generated strong demand for financial services. We adopted the strategy of “Full Services for All SMEs (全面經營所有小微企業，全面經營小微企業的所有業務)” and systematically developed an “online + offline” dual development model for our SME financial products. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our loans to SMEs was approximately RMB62,969.9 million, RMB68,097.9 million, RMB82,515.2 million and RMB89,767.9 million, respectively, representing approximately 65.9%, 63.3%, 60.4% and 62.0% of our total corporate loan balance as of the same dates.

We actively explore new services for SMEs by providing tailor-made and diversified financial products, including:

- attracting deposits as low-cost funding through tailor-made settlement products for SMEs: we introduced tailor-made settlement products such as SME all-purpose debit cards and electronic business license cards. As of December 31, 2018, 2019 and 2020, the total number of such cards issued was approximately 52,600, 84,400 and 105,200, respectively, representing a CAGR of approximately 41.4% from December 31, 2018 to December 31, 2020. Such cards generated settlement deposit amount of approximately RMB4,354.5 million, RMB11,552.2 million and RMB15,158.3 million as of the same dates, respectively, representing a CAGR of approximately 86.5% from December 31, 2018 to December 31, 2020. As of March 31, 2021, the total number of such cards issued and the generated settlement deposit amount for the relevant period was approximately 109,400 and RMB4,859.2 million, respectively.
- rapidly expanding our SME customer base through the introduction of distinctive SME credit products: We introduced various special finance products, including “Government Procurement Loan (政採貸)”, “Financial Relief Loan (紓困貸)”, “Industry Supportive Loan (穩業貸)”, to meet different financial needs of SMEs. We enhanced our cooperation with the PBoC, local financial regulatory authorities and local governments. We also expanded our customer base by introducing “Venture Capital Loan (創業貸)”, “Public-private Project Banking (政商銀)” and “Government Project Loan (政銀保)”. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the NPL ratio of inclusive SME loans of our

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Bank were 1.26%, 0.61%, 0.70% and 0.86%, respectively, demonstrating our ability to strike a balance between operational scale and asset quality.

The Bank accelerated the research and development and production of the small and micro online products. Through continuous enrichment of the offerings of online products and relying on big data intelligent risk control models, the Bank gradually realized the online application, approval, and releasing of small and micro loans. The channels for online customer acquisition and the online customer base were expanded to effectively support the growth of small and micro online loans. The Bank had officially launched small and micro online loan products since 2019, including Tax Financing Loan. As of December 31, 2019 and 2020, the small and micro online loan balances of the Bank were RMB3,854.1 million and RMB5,720.5 million respectively, with an average CAGR of approximately 48.4%. As of March 31, 2021, the small and micro online loan balances of the Bank has amounted to RMB6,571.4 million.

Through our systematic development, we improved the efficiency of our offline services to SMEs. We set up Micro Finance Units in 13 branches and developed a direct approval process for SME loan applications. We have also appointed regional customer relationship managers and bank representatives for SME customers to improve our approval process. We were awarded “Exemplary Bank in SME Financial Services (優秀小微金融服務銀行)” in 2019 at the National Finance Technology Summit.

Widely Adopting Intelligent Information Technologies and Implementation of Advanced Operation System for Efficiency Improvement

We believe financial technologies will be the pinnacle of future banking competition. In order to develop into a “smart digitalized bank”, we continued to upgrade IT infrastructure, promote IT structure transformation, and focus on the development in key areas including mobile finance, big data, cloud computing and AI to fully promote intelligent information technology upgrades. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, our IT expenses were approximately RMB157.5 million, RMB362.9 million, RMB404.9 million and RMB195.3 million, respectively.

To promote business development, we established a financial technology laboratory in May 2019 to introduce diversity into our services and products as well as enhance our digital infrastructure, so as to improve the user experience of our customers. At the same time, we entered into series of service and cooperation agreements with technology companies to provide smart financial services in different scenarios. We have introduced self-serviced online loan products such as D Quick Loan (D快貸), which enables individuals to apply for consumption and business loans through our online channel or other Internet channels recognized by us and is operated with big data relating to risk management, and provide financial services in cooperation with other financial institutions. We conduct our online banking business in accordance with the relevant laws and regulations, which do not require us to hold any specialized license to provide online loan services. As of March 31, 2021, the balance of our online loans, being loans extended through online application, was approximately RMB23,480.6 million, of which jointly granted loans, being loans extended on a joint basis with other financial institutions, were approximately RMB7,408.8 million and online loans, being loans extended solely by us and mainly through our self-operated channels (such as our official website or official mobile Apps) and other channels, were approximately RMB16,071.7 million.

To improve management, we applied financial technology to improve operational system efficiency, which effectively improved our operation efficiency and strengthened our cost control. The introduction of

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virtual teller machines promoted our intelligent business operation system and further reduced the demand for counter staff.

Comprehensive Risk Management System and High-quality Credit Assets

We are committed to the operating philosophy of growth out of stability. We emphasize complementary and coordinated development of steady growth and robust risk control. We implemented rule-based management. We effectively prevented and resolved various risks by continuously improving our comprehensive risk management system based on rules, technologies and culture, in order to meet and exceed risk-related regulatory requirements.

We implemented comprehensive risk management and control. Our management established “three lines of defense” risk management, namely, the business department, the risk management department and the internal audit department, to carry out detailed management of credit risk, market risk, liquidity risk, operational risk, legal compliance risk, information technology risk and reputational risk. We established a risk control assessment mechanism covering our headquarters and branches to strengthen the weakness in internal risk control management. We maintain the quality of our assets through prudent risk management. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our loans to customers with collateral, pledge and/or guarantee were approximately RMB150,925.1 million, RMB177,615.7 million, RMB228,191.3 million and RMB241,619.7 million, respectively, representing approximately 91.8%, 86.3%, 87.3% and 87.6% of our total loans. During the Track Record Period, we did not grant any loan to government financing platform. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the NPL ratio of our loans to customers continued to decrease, and was 1.27%, 1.00%, 0.82% and 0.79%, respectively, representing an increase of performing loan. As of the same dates, our provision average ratio remained relatively high, and was 345.74%, 389.57%, 375.13% and 376.90%, respectively, which exceeds the regulator indicator of not less than 150%, representing an increasing risk control capacity.

We adopted risk control technologies in the whole risk management process. We strive to use financial technologies to achieve intelligent management and control of key business risks. We launched a series of management systems, including a comprehensive online risk management system to strengthen centralized risk management, a new online credit service system, an internal ranking system, a risk data collection and credit risk warning system and cloud-based platform to prevent and control credit risks at an earlier stage, and an online audit surveillance system to improve the informatization of internal audit.

We maintain a risk control culture with participation of all employees. In accordance with the principle of “integrating culture into system with participation of employees”, we have established a prudent risk culture in a top-down manner. We emphasize rule-based management and implemented rules for various operational departments, management processes and responsibility roles. We require all staff, from management to frontline employees, to proactively comply with all rules and impose strict enforcement accountability on those in violation to foster a good compliance culture.

Long-term Steady Shareholder Support and Cohesive Modern Financial Enterprise Culture

Our Shareholders include a number of enterprises and entrepreneurs well-known in Dongguan, which operate in various industries including environmental protection, medical healthcare, modern Sannong, sports,

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industrial investment and commercial real estate industries. Our shareholders support our prudent operation and strategic transformation and assist us in our business expansion and risk control.

Our Board of Directors has an in-depth understanding of economic development trends and capital management. Mr. Lai Chun Tung, Mr. Wang Junyang and Mr. Yip Tai Him are also directors of listed companies in Hong Kong and other jurisdictions and have brought advanced governance experiences to help our sustainable development. Our senior management members have extensive industry experience, strong leadership and vision, and have on average over 27 years of experience in the financial industry in China, among those one has a doctoral degree, one has master's degree and two have bachelor's degree. Mr. Wang Yaoqiu (王耀球先生), our Chairman of our Board of Directors, has over 32 years of experience in the banking industry, and previously served as the vice president of Dongguan Branch of Bank of China Limited and president of Dongguan Branch and Guangzhou Branch of China Merchants Bank. He has profound understanding of regional economic development and strategic transformation of banking industry, outstanding leadership, and vision. Mr. Fu Qiang (傅強), our President, has over 30 years of banking-related experience. He has extensive experience in, and in-depth understanding of the financial industry regulation in Guangdong Province.

We focus on our employees in human resources management and carry out market-oriented talent selection. We place great importance in employees' career development in order to attract and retain outstanding talents and maintain the stability of our teams. As of March 31, 2021, we had a total of 5,656 employees, approximately 85.4% of which had bachelor's degree or above and approximately 56.1% of which were sales representatives. Our annual employee turnover rate has remained below 5% during the Track Record Period.

OUR BUSINESS STRATEGIES

Our strategic objective is to develop into a regional modern rural commercial banking group.

We are committed to the business philosophy that “Customers are our biggest assets (客戶是我們最大的財富)”. Leveraging technology, talents and capital strength, we are committed to digitalized and conglomerated operations, establishing our core competitive edge based on our core customers, core businesses, risk management and organizational management, and constructing a grid and scenario-based system, a system that focuses on market share and rates of return, as well as compliance and risk management, and a system that builds corporate culture through incentives and rules.

We plan to adopt the following strategic initiatives in business development:

Capitalize on modern Sannong business development to grow the market share of our rural financial business

With the growth of rural economy and the synergy created by the development of the Greater Bay Area, the modern Sannong business in Dongguan is expected to go through further reform and upgrade, which in turn could lead to growing financial demand. We will solidify customer relationship with key Village Groups and qualified Village Groups residents, grow our customer base and market share in the Village Group market, and further develop emerging sectors such as township and village livelihood industry, rural infrastructure, agricultural product processing and distribution and agricultural technology, creating a brand of modern Sannong services.

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Build a leading core business system and continuously improve competitiveness

We will continue to expand the scale of our core business, optimize our business structure, and promote a sustainable development of our corporate banking, retail financial business, small and micro finance business, interbank financial business and digital financial business. We will strive to increase our market share and gradually enhance our profit margins. In addition, we will steadily promote the growth of the Group, improve the operation and management of our subsidiaries and enhance our profitability.

Develop a new “1+3+N” grid management system and upgrade customer management system

We believe that a grid management is highly compatible with the resources of local banks and is an efficient and sustainable business model. We will continue to improve our grid management. Based on grid management, we developed the “1+3+N” grid marketing system by using chain marketing, so as to streamline its customer management and enhance its market share and coverage.

In addition, we will build an open business ecosystem, which embeds financial services into the life and production scenarios of core customer groups, so as to enhance the value realization capabilities in various financial service scenarios, strengthen our customer procurement capabilities and increase our customer retention power.

Accelerate financial technology application and introduce new initiatives for reform and development

We believe in the era of financial technology. It is strategically important to adopt digital transformation.

Digitalization will profoundly change the operating philosophy, business model and management method of the financial industry. We plan to establish a compatible organizational structure, business processes, management mechanisms and corporate culture to create a smart digital bank.

We will continue to implement the strategy of “mobilization, digitization, smartization and openness”. We will use financial technology as a starting point for our reform which will be based on cloud platforms, digital applications and digital technologies. In respect of business development, we will establish data-driven customer profile, and maximize customer return from traditional customer base by promoting scenario-based products and online channels. With respect to management empowerment, through the use of digital technologies and tools, we plan to realize a digitalization and standardization of mid- and back-end management, and establish a real-time and dynamic intelligent risk control system. With respect to fundamental support, we will make every effort to promote data management, strengthen the interconnection of internal and external data, promote the transformation of IT infrastructure and improve technological capabilities.

Improve our comprehensive risk management system to ensure effective management and control of risks

We will continue to implement the principle of governance with rules and strive to continuously improve our internal control system to formulate regulatory guidance to regulate our business behaviors, create a good compliance culture and enhance our compliance capabilities.

We seek to constantly upgrade our integrated risk management capability. We plan to utilize advanced risk management tools and information technologies in risk identification, assessment, quantification and

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control, in order to enhance the implementations of risk-adjusted return on capital. We plan to reinforce the supporting role of technologies in risk management, adopt new risk management methods and realize the full implementation of AI in the process. We plan to focus on improving our credit risk management system, strengthen the prevention and control of market risks, and optimize our internal audit and management model, in order to effectively prevent and resolve various risks.

Improve human resources management and create modern financial enterprise culture

We plan to continue to build up talents with industry expertise and strategic importance. At the same time, we seek to continuously improve the quality of our human resources management and enhance our incentive system, in order to provide employees with ample career development opportunities and establish an empowered modern banking system.

We regard corporate culture to be an enduring driving force of growth. In recent years, we strive to build a distinctive corporate culture and create a corporate environment in which we respect superiors, care for subordinates, treat people with sincerity and take work seriously. We will continue to fulfill our social responsibility by managing the Dongguan City Rural Commercial Bank Education Charity Foundation (東莞市農商銀行教育公益基金會), of which we set up and donated all initial fund, to support local education, and promoting the influence of our Dongguan Numismatic Museum (東莞市錢幣博物館) in the industry.

OUR PRINCIPAL BUSINESSES

Our principal lines of businesses include corporate banking, retail banking and treasury business.

The following table sets forth a breakdown of the principal business lines and their operating income contributions during the Track Record Period.

| | For the years ended December 31, | | | | | | For the three months ended March 31, | | | |
|----------------------------|---|---------------|-----------------|---------------|-----------------|---------------|--------------------------------------|---------------|----------------|---------------|
| | 2018 | | 2019 | | 2020 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | <i>(in millions of RMB, except for percentages)</i> | | | | | | | | | |
| Corporate banking business | 4,046.2 | 41.4% | 4,671.8 | 39.6% | 5,501.0 | 45.7% | 1,380.0 | 43.5% | 1,560.0 | 49.4% |
| Retail banking business | 4,012.8 | 41.0% | 4,523.9 | 38.4% | 5,286.1 | 43.9% | 1,281.4 | 40.4% | 1,287.2 | 40.8% |
| Treasury business | 1,467.7 | 15.0% | 2,204.7 | 18.7% | 1,385.8 | 11.5% | 475.8 | 15.0% | 291.4 | 9.2% |
| Others ⁽¹⁾ | 250.9 | 2.6% | 394.8 | 3.3% | (125.9) | (1.1)% | 35.9 | 1.1% | 17.4 | 0.6% |
| Total | 9,777.6 | 100.0% | 11,795.2 | 100.0% | 12,047.0 | 100.0% | 3,173.1 | 100.0% | 3,156.0 | 100.0% |

Note:

(1) Consisted of income and expenses that are not directly attributable to any specific segment.

Corporate Banking Business

Overview

The core customer groups of our corporate banking business include the Village Groups, modernized Sannong enterprises, SMEs, governmental entities, private enterprises and state-owned enterprises. To cater for the needs of a wide range of customers, we offer our customers a portfolio of diversified financial products and services, including corporate loans, corporate deposits, international settlement and trade finance, as well as other corporate banking products.

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Corporate banking is one of our main sources of operating income and operating profit. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, operating income from our corporate banking business was RMB4,046.2 million, RMB4,671.8 million, RMB5,501.0 million, RMB1,380.0 million and RMB1,560.0 million, respectively, accounting for 41.4%, 39.6%, 45.7%, 43.5% and 49.4% of our total operating income for the same periods. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the number of our corporate banking customers was approximately 332,300, 383,500, 417,900 and 424,100, respectively, the balances of our corporate loans were RMB95,480.1 million, RMB107,682.3 million, RMB136,673.6 million and RMB144,660.6 million, respectively, and the balances of our corporate deposits were RMB107,554.0 million, RMB126,499.5 million, RMB148,301.9 million and RMB154,637.0 million, respectively.

Main Products and Services

Our corporate banking products and services primarily consist of corporate loans, corporate deposits, international settlement and trade finance, and other fee-and commission-based corporate banking products and services.

Corporate Loans

The majority of our corporate loan customers are enterprises incorporated or otherwise have their primary operations in Dongguan. Corporate loans were the largest component of our loan portfolio during the Track Record Period in terms of year-end balances, most of which were RMB-denominated loans. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balances of our corporate loans were RMB95,480.1 million, RMB107,682.3 million, RMB136,673.6 million and RMB144,660.6 million, respectively, accounting for 58.1%, 52.3%, 52.3% and 52.5% of our total loans (excluding accrued interest) as of the same dates.

Distribution of Corporate Loans by Product Type

Our main corporate loan products include:

- working capital loans: we provide working capital loans to customers to meet their working capital demands in daily operations; and
- fixed asset loans: we provide fixed asset loans to customers to meet their financing needs of fixed asset investment projects, including infrastructure projects, technology innovation and upgrade projects, urban renovation and decoration and ancillary projects.

The following table sets forth our corporate loans by product type as of the dates indicated.

| | As of December 31, | | | | | | As of March 31, | |
|---------------------------------|---|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | <i>(in millions of RMB, except for percentages)</i> | | | | | | | |
| Working capital loans . . . | 42,826.5 | 44.9% | 46,655.2 | 43.2% | 63,073.1 | 46.1% | 63,458.3 | 43.9% |
| Fixed asset loans | 51,281.5 | 53.7% | 58,805.2 | 54.6% | 69,532.5 | 50.9% | 75,920.7 | 52.5% |
| Others ⁽¹⁾ | 1,372.1 | 1.4% | 2,221.9 | 2.2% | 4,068.0 | 3.0% | 5,281.6 | 3.6% |
| Total | 95,480.1 | 100.0% | 107,682.3 | 100.0% | 136,673.6 | 100.0% | 144,660.6 | 100.0% |

Note:

(1) Consisted primarily of mortgage loans on business premises and mechanical equipment.

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Distribution of Corporate Loans by Maturity

The following table sets forth our corporate loans by maturity as of the dates indicated.

| | As of December 31, | | | | | | As of March 31, | |
|--|---|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| | <i>(in millions of RMB, except for percentages)</i> | | | | | | | |
| Short-term loans ⁽¹⁾ | 29,983.6 | 31.4% | 34,766.6 | 32.3% | 41,055.9 | 30.0% | 43,988.0 | 30.4% |
| Medium-to-long-term loans ⁽²⁾ | 65,496.5 | 68.6% | 72,915.7 | 67.7% | 95,617.7 | 70.0% | 100,672.6 | 69.6% |
| Total | <u>95,480.1</u> | <u>100.0%</u> | <u>107,682.3</u> | <u>100.0%</u> | <u>136,673.6</u> | <u>100.0%</u> | <u>144,660.6</u> | <u>100.0%</u> |

Notes:

- (1) Refers to loans and advances with a maturity of one year or less.
- (2) Refers to loans and advances with a maturity of more than one year (excluding one year).

Distribution of Corporate Loans by Size of Borrowers

The following table sets forth the distribution of corporate loans by size of our borrowers as of the dates indicated.

| | As of December 31, | | | | | | As of March 31, | |
|--|---|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| | <i>(in millions of RMB, except for percentages)</i> | | | | | | | |
| SMEs ⁽¹⁾ | 62,969.9 | 65.9% | 68,097.9 | 63.3% | 82,515.2 | 60.4% | 89,767.9 | 62.0% |
| Medium enterprises ⁽¹⁾ | 23,281.4 | 24.4% | 28,277.8 | 26.3% | 37,349.4 | 27.3% | 37,696.0 | 26.1% |
| Large enterprises ⁽¹⁾ | 8,392.2 | 8.8% | 10,605.0 | 9.8% | 16,156.6 | 11.8% | 16,597.3 | 11.5% |
| Others ⁽²⁾ | 836.6 | 0.9% | 701.6 | 0.6% | 652.4 | 0.5% | 599.4 | 0.4% |
| Total | <u>95,480.1</u> | <u>100.0%</u> | <u>107,682.3</u> | <u>100.0%</u> | <u>136,673.6</u> | <u>100.0%</u> | <u>144,660.6</u> | <u>100.0%</u> |

Notes:

- (1) The classification criteria for large, medium, SMEs are set out by the 2017 Measures for Classification of Large, Medium, SMEs for the Purpose of Statistics (《統計上大中小微型企業劃分辦法(2017)》) (the “2017 Measures for Classification”). For details, please see “Definitions and Conventions”.
- (2) Consisted primarily of business loans extended to individual business owners.

Loans to SMEs

The vitality of SMEs in Dongguan is pivotal to the local economy. In order to leverage such characteristic and advantage of Dongguan economy, and to capitalize on the government initiatives to support SMEs in recent years, we are committed to meeting financing needs of SMEs for their daily operations. In November 2016, we established our SME Finance department with four centers, namely, customer center, operating center, product R&D center and comprehensive management and support center, to achieve collective management of loan approval, loan settlement and other SME-related businesses. As of December 31, 2018,

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2019 and 2020 and March 31, 2021, we had approximately 2,500, 2,700, 2,800 and 2,800 loan customers of SMEs, respectively. As of the same dates, our corporate loans to SMEs were RMB62,969.9 million, RMB68,097.9 million, RMB82,515.2 million and RMB89,767.9 million, respectively, accounting for 65.9%, 63.3%, 60.4% and 62.0% of our total corporate loans, respectively.

During the Track Record Period, we introduced various tailor-made loan products to address specific needs of SMEs to improve the quality of our financial service to SMEs and increase profitability. We introduced, among other things, “Tax Financing Loan (稅融貸)”, and “Operating Loans Collateralized by Residential Properties (宅經營貸)”. These SME loan products are tailored to specific groups of SME customers, and often with speedy approval process and improved efficiency. For instance, under the authorization by and in cooperation with Guangdong Provincial Tax Bureau, we launched “Tax Financing Loan (稅融貸)”, which grants us access to tax payment and rating information of enterprises and allows us to approve different amounts of credit lines based on such information. We provide “Start-up Small Loan (小額創業貸)” to cater for the start-up capital needs of our customers, featuring zero interest and flexibility on required collaterals, which can be in the form of security, pledge, guarantee or others, to qualified customers which are eligible for interest subsidies from relevant authorities in Dongguan. Our SME loan approval process relies on publicly available data of the applicants, including filings with bureaus of industry and commerce, tax and legal proceeding, and is assisted by big data analysis and intelligent decision-making technologies, which we believe allows us to make informed decision on loan applications with improved review efficiency. Customers of our SME products include but not limited to SMEs under the 2017 Measures for Classification.

In addition, we have facilitated our financial services to SMEs by issuing our “SME One-Card-Pass (小微一卡通)” since 2017 to customers that are linked to their bank accounts for settlement, through which SMEs can access various financial services, including account query, transfer, deposits and withdrawal. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the accumulated number of the cards we issued to our SME customers was approximately 51,700, 70,900, 87,700 and 91,900, respectively.

Our featured products to SMEs are well received by the market, evidenced by various awards we received, including:

- In August 2019, we have received awards of “Exceptional SME Financial Service Bank” and “Exceptional Inclusive Financial Service Bank” at the Third National Financial Technology Summit which was hosted by Xinhua Net;
- Our “House Construction Loans (建房貸)” was included as an example of inclusive financing to support urbanization of rural areas in “China Inclusive Financing Innovative Report (2018) (中國普惠金融創新報告(2018))” (published in July 2018) compiled by National Institution for Finance, Development, which is subordinated to the State Council; and
- Our “Tax Financing Loan (稅融貸)” was used as a primary sample for analysis in “Development of the Application of Financial Technologies in SME Loans 《金融科技在小微企業信貸中的應用發展研究報告》” (published on April 30, 2019) compiled by Institute of Internet Industry, Tsinghua University.

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Loans to large and medium enterprises

Large and medium enterprises are our valuable customer base. Our Key Account Marketing Center and Business Marketing Center operated under the Corporate Banking Department and Strategic Customer Department, respectively, are responsible for the centralized management of our major large corporate customers from a variety of industries, including wholesale and retail industry, leasing and commercial service industry, construction industry, manufacturing industry, and other industries.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balances of our outstanding loans to large and medium enterprises were RMB31,673.6 million, RMB38,882.8 million, RMB53,506.0 million and RMB54,293.3 million, respectively.

Discounted Bills

Discounted bills (excluding rediscounted bills) is a service we provide to corporate customers in which we purchase from the corporate customers bank acceptance bills or commercial acceptance bills prior to their maturity by paying the nominal value of such bills less the discounted interest. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, the interest income from our discounted bills was RMB13.9 million, RMB6.1 million, RMB20.2 million and RMB9.4 million, respectively. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balances of our discounted bills were RMB147.3 million, RMB127.7 million, RMB1,318.3 million and RMB1,643.4 million, respectively.

Corporate Deposits

As one of the basic services provided to our corporate customers, corporate deposits are one of the principal fund sources. Our corporate deposit customers mainly include governmental entities, public institutions, state-owned entities and private enterprises.

We provide our corporate customers time deposits and demand deposits in Renminbi and major foreign currencies, which primarily includes the U.S. Dollar, Euro, Hong Kong Dollar and Japanese Yen. A majority of the Renminbi time deposit services we offered have a term of five years or less. During the Track Record Period, deposits from governmental entities and the Village Groups constituted the majority of our corporate deposits. In particular, deposits from the Village Groups is an important part of our deposits.

Distribution of Corporate Deposits by Product Type

The following table sets forth our corporate deposits, net of accrued interest, by product type as of the dates indicated.

| | As of December 31, | | | | | | As of March 31, | |
|---------------------------|---|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | <i>(in millions of RMB, except for percentages)</i> | | | | | | | |
| Demand deposits | 61,001.2 | 56.7% | 70,437.9 | 55.7% | 86,787.1 | 58.5% | 84,524.6 | 54.7% |
| Time deposits | 46,552.8 | 43.3% | 56,061.6 | 44.3% | 61,514.8 | 41.5% | 70,112.4 | 45.3% |
| Total | 107,554.0 | 100.0% | 126,499.5 | 100.0% | 148,301.9 | 100.0% | 154,637.0 | 100.0% |

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As of December 31, 2018, 2019 and 2020 and March 31, 2021, our total corporate deposits were RMB107,554.0 million, RMB126,499.5 million, RMB148,301.9 million and RMB154,637.0 million, accounting for approximately 40.6%, 40.3%, 39.3% and 39.7% of our total deposits as of the same dates, respectively.

International Settlement and Trade Finance

Our International Business Department is responsible for the operation and the management of our international settlement and trade finance business. For the years ended December 31, 2018, 2019 and 2020 and three months ended March 31, 2020 and 2021, fee-and-commission income from international settlement and trade finance was RMB6.5 million, RMB8.4 million, RMB6.7 million, RMB1.5 million and RMB1.6 million, respectively.

We obtained the qualification to conduct foreign exchange operations in March 2001, forward exchange settlement and sales in cooperation in January 2008, and derivatives trading in April 2019. In April 2001, to serve the settlement needs arising from cross-borders transactions of our customers, we commenced our international settlement services, consisting of deposits in foreign currency, international remittance, foreign currency loan, interbank lending, cross-border fund investigation and certification. As of March 31, 2021, we established cooperation with nine offshore banks to provide settlement service covering major international currencies, primarily including the U.S. Dollar, Hong Kong Dollar, Euro and Japanese Yen. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, our international settlement transaction amount represented the equivalent of USD9,598.8 million, USD8,760.6 million, USD8,029.1 million, USD1,952.8 million and USD2,500.1 million, respectively.

Our trade finance business mainly consists of import bill advance, export bill advance, import bill payment service, export bill payment service, packaged loan and financing under domestic securities. Our trade finance business also includes the issuance of letters of credit for import and domestic letters of credit.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, our trade finance transaction amount represented the equivalent of USD132.1 million, USD252.3 million, USD414.3 million, USD77.3 million and USD175.4 million, respectively.

Other Fee-and-Commission-based Corporate Banking Products and Services

Entrusted Loans

We extend entrusted loans to borrowers designated by our corporate banking customers who also determine the uses of proceeds, principal amounts and interest rates of such loans. We monitor the loan utilization status and provide assistance to our relevant customers in the collection of entrusted loans, and charge service fees based on the amount of such loans. Our relevant customers are the principals of the entrusted loans and bear the risks of default. As of December 31, 2018, 2019 and 2020 and March 31, 2020, our entrusted loans transaction balance amount of our Bank was RMB4,659.0 million, RMB2,169.1 million, RMB598.4 million and RMB2,135.1 million, respectively and our fee and commission income generated from the provision of entrusted loans were RMB11.7 million, RMB4.7 million, RMB2.8 million and RMB0.7 million, respectively, for the same periods. As of March 31, 2021, the balance amount of our entrusted loans transaction was RMB584.0 million and there was no fee and commission income generated as we did not extend new entrusted loans in the first three months of 2021.

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Letters of Guarantee

We provide our corporate banking customers with letters of guarantee for non-financing purposes. Letters of guarantee for non-financing purposes include letters of guarantee for tender, performance of contract and prepayments. We charge annual service fee based on the guaranteed amount. As of December 31, 2018, 2019 and 2020 and March 31, 2020 and 2021, the balance of our letters of guarantee was RMB375.6 million, RMB630.4 million, RMB1,223.0 million, RMB645.1 million and RMB1,207.7 million, respectively. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, our fee and commission income generated from letters of guarantee were RMB0.9 million, RMB2.4 million, RMB4.8 million, RMB0.1 million and RMB0.4 million, respectively.

Corporate Wealth Management Agency Services

We offer our corporate customers a variety of wealth management products based on their risk appetites and return expectations, including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. As of March 31, 2021, we offered 80 types of such products customized to specific needs, and the variations of terms included but not limited to, duration of terms, start of interest bearing and principal-guaranteed or not. For instance, we have specifically designed a wealth management product, namely, Chuangfu Wealth Management Baoying No. 6 (創富理財寶盈6號) (the “Chuangfu Baoying No.6”) customized to the specific investment needs of certain Village Group customers. Chuangfu Baoying No.6 is a principal-guaranteed wealth management product with prospective yield, which maintains various sub-products with different redemption periods, so as to address the needs for flexible investment periods and relative higher prospective yields of our Village Group customers. During the Track Record Period, our corporate wealth management products consisted primarily of investments in debt securities. We generally invested raised funds into investment portfolios of debt securities, bank deposits and other fixed income products. Our Product Management Center (產品管理中心), Investment Transaction Center (投資交易中心), Investment Banking Transaction Center (投資銀行中心) and Wealth Management Center (資產配置中心) under the Investment Banking and Wealth Management Department are responsible for the R&D, investment and marketing of our wealth management products.

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, the aggregate face value of wealth management products we sold to corporate banking customers was RMB53,315.2 million, RMB49,585.2 million, RMB42,013.9 million, RMB7,999.3 million and RMB9,962.6 million, respectively. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our wealth management products sold to corporate banking customers was RMB13,294.0 million, RMB8,088.0 million, RMB7,293.9 million and RMB5,853.5 million, respectively.

Fee and commission income derived from our wealth management agency service was RMB311.6 million, RMB459.3 million, RMB328.7 million, RMB55.0 million and RMB65.9 million for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively, representing 3.2%, 3.9%, 2.7%, 1.7% and 2.1% of our operating income as of the same periods. For details, please see “Financial Information — Results of Operations for The Years Ended December 31, 2018 and 2019 — Net Fee and Commission Income — Fee and Commission Income — Wealth Management Agency Service Fee”, “Financial Information — Results of Operations for The Years Ended December 31, 2019 and 2020 — Net Fee and Commission Income — Fee and Commission Income — Wealth Management Agency Service Fee”

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and “Financial Information — Results of Operations for The Three Months Ended March 31, 2020 and 2021 — Net Fee and Commission Income — Fee and Commission Income — Wealth Management Agency Service Fee”.

During the Track Record Period, CBIRC promulgated various rules. For example, on September 26, 2018, it promulgated the Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks (《商業銀行理財業務監督管理辦法》) (the “**2018 Wealth Management Measures**”), which provides that (i) commercial bank that sells wealth management products shall not advertise or promote the guarantee of principal and proceeds; and (ii) there is a transitional period which lasts from the date when the 2018 Wealth Management Measures comes into force to the end of 2020. During the transitional period, the new wealth management products issued by a commercial bank shall comply with the provisions of the 2018 Wealth Management Measures, and in respect of existing wealth management products, the commercial bank may issue former products during the transitional period to link up with assets invested by existing wealth management products which have yet come to maturity, provided that it shall strictly limit the products to the overall size of existing products and reduce them in an orderly manner. On July 31, 2020, PBoC issued the Notice of Optimizing Arrangement for the Transitional Period of Asset Management Guiding Opinion to Facilitate Steady Transformation of Asset Management Business (《優化資管新規過渡期安排引導資管業務平穩轉型》的通知) that extended the transitional period till the end of 2021. For more details, please refer to “Supervision and Regulations — Regulations on Principal Activities of Commercial Banks — Wealth Management”. In response to these regulatory requirements, we took active measures to reduce and/or cease the offering of the relevant products.

After the implementation of the 2018 Wealth Management Measures, we reduced the scale of principal-guaranteed wealth management products, and instead issued deposit products to satisfy the customers’ demand for principal-guaranteed products. As of December 31, 2018, 2019 and 2020 and March 31, 2020 and 2021, the principal-guaranteed wealth management products we issued amounted to RMB22,510.2 million, RMB15,879.2 million, RMB5,918.7 million, RMB2,632.8 million and RMB228.7 million, respectively, reflecting an overall declining trend. As a result, we experienced a continuous decrease in the sales volume of wealth management products to corporate customers during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, our wealth management products issued after the implementation of the 2018 Wealth Management Measures are in compliance with the aforementioned rules and regulations. We will comply with the relevant laws and regulations after the transitional period ending by the end of 2021.

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The table below sets forth a breakdown of the volume of corporate wealth management products we issued into principal-guaranteed and non-principal-guaranteed corporate wealth management products during the periods indicated.

| | For the years ended December 31, | | | | | | For the three months ended March 31, | | | |
|--|---|---------------|-----------------|---------------|-----------------|---------------|--------------------------------------|---------------|----------------|---------------|
| | 2018 | | 2019 | | 2020 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | <i>(in millions of RMB, except for percentages)</i> | | | | | | | | | |
| Principal-guaranteed products | 22,510.2 | 42.2% | 15,879.2 | 32.0% | 5,918.7 | 14.1% | 2,632.8 | 32.9% | 228.7 | 2.3% |
| Non-principal-guaranteed products | 30,805.0 | 57.8% | 33,706.0 | 68.0% | 36,095.2 | 85.9% | 5,366.5 | 67.1% | 9,733.9 | 97.7% |
| Total corporate wealth management products issued | 53,315.2 | 100.0% | 49,585.2 | 100.0% | 42,013.9 | 100.0% | 7,999.3 | 100.0% | 9,962.6 | 100.0% |

During the Track Record Period, all principal-guaranteed wealth management products and some non-principal-guaranteed wealth management products that were issued, managed and controlled by our Bank were consolidated in our financial statements. Non-principal-guaranteed wealth management products (the “WMPs”) are special purpose entities sponsored and managed by us, which are not subject to any guarantee by us of the principal invested or return to be paid to the investors. As the manager of the WMPs, our Bank invests, on behalf of our customers, in assets as described in the investment plan related to each WMP and receives fee and commission income. According to IFRS10, if the variable returns earned by us are not material, we do not control the WMPs and shall be deemed as an agent for the investors to manage the WMPs and therefore do not consolidate the WMPs. Otherwise, when the returns earned by us are essential and we control the WMPs, we shall be deemed as the principal of the WMPs and consolidate these WMPs.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the consolidated non-principal-guaranteed WMPs amounted to RMB1,735.3 million, RMB3,059.8 million, RMB4,487.6 million and RMB5,687.3 million, respectively. For details, please see Note 37 to the Accountant’s Report in Appendix I.

Pursuant to the 2018 Wealth Management Measures, we classify our wealth management products into five categories based on their risk levels: R1 refers to extremely low risk; R2 refers to low risk; R3 refers to medium risk; R4 refers to comparatively high risk and R5 refers to high risk. We set relevant scores according to various criteria such as investment scope, investment assets and investment ratio, product term, product past performance, major risks and risk prevention measures, and evaluate the risk rating of the wealth management products based on the comprehensive scores of products, with higher scores being the products with lower risks. Most of the principal-guaranteed wealth management products are categorized as R1 wealth management products. During the Track Record Period, we did not issue any R4 or R5 wealth management products.

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The following table sets forth details of the corporate wealth management products we issued by risk levels during the periods indicated.

| | Years ended December 31, | | | | | | For the three months ended March 31, | | | |
|--------------|--|---------------|-----------------|---------------|-----------------|---------------|--------------------------------------|---------------|----------------|---------------|
| | 2018 | | 2019 | | 2020 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | <i>(RMB in millions, except for percentages)</i> | | | | | | | | | |
| R1 | 22,510.2 | 42.2% | 15,879.2 | 32.0% | 5,918.7 | 14.1% | 2,632.8 | 32.9% | 228.7 | 2.3% |
| R2 | 30,249.2 | 56.7% | 33,396.8 | 67.4% | 35,605.7 | 84.7% | 5,264.6 | 65.8% | 9,605.6 | 96.4% |
| R3 | 555.8 | 1.1% | 309.2 | 0.6% | 489.5 | 1.2% | 101.9 | 1.3% | 128.3 | 1.3% |
| Total | 53,315.2 | 100.0% | 49,585.2 | 100.0% | 42,013.9 | 100.0% | 7,999.3 | 100.0% | 9,962.6 | 100.0% |

Corporate Banking Customer Base

Our corporate banking customers are mainly from (i) wholesale and retail industry, (ii) leasing and commercial service industry, (iii) construction industry, (iv) manufacturing industry; (v) real estate industry and other industries. As of March 31, 2021, our loans to customers in these industries accounted for 18.1%, 19.0%, 15.4%, 19.5% and 8.8%, of our total corporate loans as of the same dates, respectively. For details, please see “Assets and Liabilities — Assets — Loans and Advances to Customers — Corporate Loans — Distribution of Corporate Loans by Industry”. As of March 31, 2021, we had approximately 3,600 corporate loan customers and 424,100 corporate deposit customers.

We have further expanded our corporate customer base through enhancement on customer services, capital contribution into rural cooperative organizations, and establishment of county outlets. We also seek to develop customers from public services, education, healthcare and other public sectors, which we believe are comparatively less affected by economic downturn. In addition, as of March 31, 2021, we had 13 Micro Finance Units devoted to SME customers. We offer various products tailored-made to SME customers’ different capital needs with simplified procedures and speedy approval process such as “Tax Financing Loan (稅融貸)”, and “Operating Loans with Residential Mortgage as Collateral (宅e經營貸)”.

We had approximately 332,300, 383,500, 417,900 and 424,100 corporate banking customers as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

Industrial Finance

In 2016, we launched the Industrial Finance brand as one of our strategic focuses, in order to explore the business opportunities arising from the development and transformation of certain industries of Dongguan. In particular, we have identified and focused on ten key industries in Dongguan, including, among other things, environmental protection, education and high-end manufacturing, to further develop existing customers and procure new customers.

During the Track Record Period, we launched various tailor-made and comprehensive financial services to cater to the characteristics of such key industries. We also made continuous R&D and marketing efforts for

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such comprehensive financial services. As of March 31, 2021, we had approximately 126,425 customers from the ten key industries. As of March 31, 2021, our industrial financial services include:

- “Green Financing Connection (綠融通)”, a portfolio of financial services targeting the environmental protection industry, which includes “Ecological Restoration Loans (生態修復貸)”, “Green Project Loans (綠色項目貸)” and “Energy Saving Loans (節能貸)”. Such products were utilized in environmental protection related projects, including Dongguan wastewater treatment projects, water and gas supply projects, waste-to-energy generation projects, and sewage pipeline construction projects;
- “Campus Financing Connection (校融通)”, a portfolio of financial services targeting the education industry, which includes “Campus Construction Loan (建校貸)”, “Campus Loan (校園貸)”, “Assets Securitization of Tuition (學費資產證券化)” and “Bank-Campus Connection (銀校通)”. Customers of these products primarily include private schools in Dongguan;
- “Bank-Hospital Connection (銀醫通)”, a portfolio of financial services targeting the healthcare industry, which includes “Financing of Supply Chain of Health Care (醫療供應鏈融資)”, “Hospital Construction Loan (醫院建設貸)”, “Health Care Equipment Loan (醫療設備貸)”, “Hospital Easy Loan (醫融易)” and “Medical Technology Loan (醫學科技貸)”. Customers of these products include healthcare institutions and bio-pharmaceutical enterprises in Dongguan;
- “Smart Financing Connection (智融通)”, a portfolio of financial services targeting the intelligent manufacturing industry, which includes “Intelligent Inclusion (智准入)”, “Trade Connection (貿易通)”, “Collective Connection (集群通)”, “Intelligent Finance Connection (智融鏈)” and “Intelligent Manufacturing Loans (智造貸)”. Customers of these products include manufacturers of high-end equipment, mold, green energy automobile and novel materials, as well as information technology enterprises;
- “Park Financing Connection (園融通)”, a portfolio of financial services targeting industrial and R&D parks, which includes “Featured Park Loan (特色園區貸)”, “Park Upgrade Loan (園區升級貸)”, “Park Entry Loan (入園貸)” and “Park Leasing Loan (園區租賃貸)”;
- “Bay Financing Connection (灣融通)”, a portfolio of financial services in support of the developments in the Greater Bay Area, which includes “Greater Bay Area Infrastructure Loans (灣區基建貸)”, “Greater Bay Area Project Loans (灣區項目貸)” and “Factory Operation Loans (廠房經營貸)”;
- “City Financing Connection (城新通)”, a portfolio of financial services in support of the urban upgrade, which includes “New Service (新服務)”, “Renewal Financing (更新融)”, “Upgrade Connection (升級通)”, “New Chain Mobilization (新鏈動)” and “Industry-city Integration (產城聚)”. Customers of these products include preparatory services providers, unitary enterprises and development and construction enterprises.

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Retail Banking Business

Overview

We have a banking network with over 500 outlets and multiple channels and platforms, through which we provide retail banking customers with a wide range of products and services, including personal loans, personal deposits, banking cards, and various fee-and-commission-based products and services.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, the operating income from our retail banking business was RMB4,012.8 million, RMB4,523.9 million, RMB5,286.1 million, RMB1,281.4 million and RMB1,287.2 million, respectively, accounting for 41.0%, 38.4%, 43.9%, 40.4% and 40.8% of the total operating income of the same periods. As of March 31, 2021, we had approximately 1,092,700 individual borrowers with total personal loans and advances to customers of RMB105,073.8 million. As of the same date, we had approximately 20,792,500 personal deposit customers with total personal deposits of RMB227,079.8 million.

Our Retail Business Department, Consumer Finance and Credit Card Department, Private Banking Department, Digital Finance Department, Investment Banking and Wealth Management Department work together to operate our retail banking businesses. We are dedicated to building up a multi-layer retail banking service system, strengthening our capabilities in product innovation, channel development and service enhancement, improving our customer experience and reinforcing the loyalty of our existing retail banking customers, and expanding retail banking customers base.

Major Products and Services

Our retail banking products and services primarily consist of personal loans, personal deposits, banking card services, and other fee-and-commission-based retail products and services.

Personal Loans

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the outstanding balances of our personal loans was RMB49,541.7 million, RMB80,048.3 million, RMB98,015.9 million and RMB105,073.8 million, respectively, accounting for approximately 30.1%, 38.9%, 37.5% and 38.1% of our balance of loans to customers (excluding accrued interest) as of the same dates.

The following table sets forth the information of our personal loans by product type as of the dates indicated.

| | As of December 31, | | | | | | As of March 31, | |
|------------------------------------|--|----------------------|------------------------|----------------------|------------------------|----------------------|-------------------------|----------------------|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| | <i>(RMB in millions, except for percentages)</i> | | | | | | | |
| Personal business loans | 9,766.5 | 19.7% | 18,001.0 | 22.5% | 25,609.6 | 26.1% | 27,604.0 | 26.3% |
| Residential mortgage loans | 23,568.3 | 47.6% | 32,441.2 | 40.5% | 37,665.4 | 38.4% | 39,788.3 | 37.9% |
| Credit card balances | 10,870.7 | 21.9% | 10,516.3 | 13.1% | 8,223.9 | 8.4% | 7,601.2 | 7.2% |
| Personal consumption loans . . . | 5,336.2 | 10.8% | 19,089.8 | 23.9% | 26,517.0 | 27.1% | 30,080.3 | 28.6% |
| Total | <u>49,541.7</u> | <u>100.0%</u> | <u>80,048.3</u> | <u>100.0%</u> | <u>98,015.9</u> | <u>100.0%</u> | <u>105,073.8</u> | <u>100.0%</u> |

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Personal Business Loans

We provide personal business loans to individuals engaging in lawful business operation to serve their business operation needs, primarily including working capital replenishment and capital for fixed assets procurement. We offer tailor-made products to satisfy specific capital needs of these customers which are often urgent, frequent and in relatively small amounts, and preferably with flexible maturity terms and collaterals.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balances of our personal business loans were RMB9,766.5 million, RMB18,001.0 million, RMB25,609.6 million and RMB27,604.0 million, respectively, accounting for approximately 19.7%, 22.5%, 26.1% and 26.3% of our total personal loans as of the same dates.

Residential Mortgage Loans

We provide our retail banking customers with residential mortgage loans for their purchase of new and second-hand residential properties. Such mortgage loans are secured by the underlying properties being purchased by borrowers and can have a term of up to 30 years. Generally, the residential loan amount will not exceed 70% of the purchase price or appraised value of the property. Property appraisal is generally conducted by independent property valuers. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our balances of residential mortgage loans were RMB23,568.3 million, RMB32,441.2 million, RMB37,665.4 million and RMB39,788.3 million, respectively, accounting for approximately 47.6%, 40.5%, 38.4% and 37.9% of our total personal loans as of the same dates.

Credit Card Balances

Our customers can use credit cards issued by us on consumptions, transfer and cash withdrawal services. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our credit card balances were RMB10,870.7 million, RMB10,516.3 million, RMB8,223.9 million and RMB7,601.2 million, respectively, accounting for approximately 21.9%, 13.1%, 8.4% and 7.2% of our total personal loans as of the same dates.

Personal Consumption Loans

We provide personal consumption loans to our retail banking customers for their personal and household consumption needs such as house renovation, education, healthcare, traveling and purchase of durable consumer goods including automobiles. Our extensive network coverage and well-developed online platform have enabled us to provide efficient and convenient access to our products and services. Our internal credit assessment system enables us to make objective assessment of default risk of our customers, allocate appropriate rating to each customer and accurately screen and analyze our customers' credit history.

Our personal consumption loans are primarily extended to employees of certain enterprises and institutions, including governmental agencies, public institutions and other institutions that we believe are of strategic importance to us, as well as the Village Group residents. These loans generally have a term of up to 10 years and a maximum amount of RMB1.0 million.

In addition, we offer our customers a variety of online personal consumption loans, such as "Digital Instant Loan (D快贷)". The application, approval, extension of loans, proceeds drawdown and repayment can all

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be completed on our e-banking Apps. Generally, these loan products have a maximum principal amount of RMB200,000 and a maximum maturity term of three years.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our personal consumption loans was RMB5,336.2 million, RMB19,089.8 million, RMB26,517.0 million and RMB30,080.3 million, respectively, accounting for approximately 10.8%, 23.9%, 27.1% and 28.6% of our total personal loans as of the same dates.

Personal Deposits

We provide retail banking customers with various types of demand deposits and time deposits, primarily denominated in Renminbi. In 2015, we obtained the qualification to issue large-denominated deposit certificates, which are denominated in Renminbi and targeted at non-financial institution investors. To better engage and retain our high-end non-financial institution customers and capture the market demands arising from liberalization of interest rates in the PRC, we provide large-denominated deposit certificates to, among other things, individual customers with savings over RMB200,000. As of December 31, 2018, 2019 and 2020 and March 31, 2021, total deposits from our large-denominated personal deposit certificates were RMB11,369.7 million, RMB18,684.1 million, RMB17,848.0 million and RMB17,457.7 million, respectively.

The following table sets forth our personal deposits by product type as of the dates indicated.

| | As of December 31, | | | | | | As of March 31, | |
|-------------------------|--|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| | <i>(RMB in millions, except for percentages)</i> | | | | | | | |
| Demand deposits | 79,817.1 | 52.7% | 91,456.5 | 50.7% | 102,798.2 | 46.4% | 101,253.8 | 44.6% |
| Time deposits | 71,629.9 | 47.3% | 88,953.5 | 49.3% | 118,593.6 | 53.6% | 125,826.0 | 55.4% |
| Total. | <u>151,447.0</u> | <u>100.0%</u> | <u>180,410.0</u> | <u>100.0%</u> | <u>221,391.8</u> | <u>100.0%</u> | <u>227,079.8</u> | <u>100.0%</u> |

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balances of our personal deposits were RMB151,447.0 million, RMB180,410.0 million, RMB221,391.8 million and RMB227,079.8 million, respectively, accounting for 57.1%, 57.4%, 58.6% and 58.3% of our deposit balance as of the same dates. As of March 31, 2021, the balances of our personal deposits accounted for approximately 23.27% of the total personal deposits in Dongguan according to PBoC Dongguan Center Branch, which also ranked the first among all the commercial banks in Dongguan.

Traditionally, a significant portion of our retail banking customers were Village Group residents who subscribe to our various products, including, among other things, large-denominated deposit certificates.

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Banking Card Services

Credit Cards

Income from our credit cards mainly consists of annual fees, merchant rebates, cash withdrawal fees, other fee-and-commission income and interest income. We offer our credit card holders value-added services including installment payment and special offering by designated merchants.

We first offered credit card service in 2013 when we issued our first credit card. As of March 31, 2021, we launched 31 types of credit cards, among which five types were co-branded and jointly issued with third parties. Based on different credit levels and consumption preferences of card holders, our credit cards include ordinary card, gold card, platinum card and diamond card. Platinum cards are further classified into classic platinum card and premium platinum card to better cater for the needs of mid- to high-end customers. We also launched “Qian Card (倩卡)” and “Li Card (儷卡)” specifically to our mid- to high-end female customers. In August 2018, our “King Credit Card/Queen Credit Card” was recognized jointly by Guangdong Enterprise Guide and Guangdong Entrepreneur Organization as “Guangdong Province Best Proprietary Brand (廣東省最佳自主品牌)”.

During the Track Record Period, the number of our issued credit cards grew steadily. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had in aggregate issued approximately 229,000, 339,000, 483,000 and 510,000 credit cards, respectively. As of the same dates, our credit card balances were RMB10,870.7 million, RMB10,516.3 million, RMB8,223.9 million and RMB7,601.2 million, respectively.

Debit Cards

Our debit cards are classified into three categories, namely, ordinary card, gold card and platinum card based on our customers’ daily average balances. The minimum daily average balance amount for gold card and platinum card is RMB50,000 and RMB200,000, respectively, while there is no such minimum daily average balance amount for ordinary card. Each category allows respective customer group to access different types of services.

Our debit card holders can access various types of financial services, including deposits and withdrawal, ATM transactions, payment and collection, all-day telephone banking and mobile payments. Income from our debit card business mainly consists of payment processing fees, SMS fees, ATM cash withdrawal and transfer fees, and annual fees. Our membership in China UnionPay grants our debit cards acceptance through China UnionPay’s network in China and abroad.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, we issued an aggregate of approximately 13.2 million, 13.8 million, 14.3 million and 14.4 million outstanding debit cards, respectively.

POS Settlement Business

Pursuant to POS settlement cooperation agreements we entered into with designated merchants, we provide settlement services for transactions between the designated merchants and our cardholders. We also assume various responsibilities, including risk management, merchant training and routine inspection. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, the numbers of newly added participating merchants of our POS settlement business were approximately 6,600, 8,100, 6,500 and 1,600, respectively. As of March 31, 2021, we had a total of approximately 17,700 participating merchants.

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Other Fee-and-Commission-Based Retail Products and Services

Our other fee-and-commission-based retail products and services primarily consist of personal wealth management products, payroll, dividend, and collection and payment agency services.

Personal Wealth Management Products and Private Banking

In 2006, we launched our first personal wealth management product. As of March 31, 2021, our independently designed wealth management products were classified into the following two categories, based on criteria such as principal-guaranteed or not, yield prospect and investment term:

- Prospective yield type (預期收益型), which include principal-guaranteed products or non principal-guaranteed products with anticipated investment return. For instance, Chuangfu Wealth Management Ririyang No.4 (創富理財日日盈4號) has flexibility in its redemption timing and pays monthly dividend and Chuangfu Wealth Management An'ying No.5 (創富理財安盈5號) has flexibility in duration but no early redemption option; and
- Net value type (淨值型), which are non-principal-guaranteed products without anticipated investment return. For instance, Chuangfu Wealth Management Zengying No.9 (創富理財增盈系列9號) is only available to certain qualified investors, under which dividends are paid quarterly without redemption option.

To cater to our retail banking customers' various levels of expected return and risk appetite, we issued 80 types of wealth management products in aggregate as of March 31, 2021, including principal-guaranteed and non-principal-guaranteed wealth management products, with different minimum subscription amounts, terms and estimated rates of return. Funds raised from wealth management products are primarily invested in debt securities, bank deposits, money market instruments and other fixed-income products.

The table below sets forth a breakdown of the volume of personal wealth management products we issued into principal-guaranteed and non-principal-guaranteed personal wealth management products during the periods indicated.

| | For the years ended | | | | | | For the three months ended | | | |
|---|---------------------|---------------|-----------------|---------------|-----------------|---------------|----------------------------|---------------|-----------------|---------------|
| | December 31, | | | | | | March 31, | | | |
| | 2018 | | 2019 | | 2020 | | 2020 | | 2021 | |
| | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | |
| Amount | total | Amount | total | Amount | total | Amount | total | Amount | total | |
| <i>(in millions of RMB, except for percentages)</i> | | | | | | | | | | |
| Principal-guaranteed | | | | | | | | | | |
| products | 11,434.2 | 13.9% | 15,224.1 | 16.5% | 5,427.5 | 6.1% | 1,940.5 | 9.9% | 389.9 | 1.8% |
| Non-principal-guaranteed | | | | | | | | | | |
| products | 70,733.1 | 86.1% | 77,215.8 | 83.5% | 83,225.5 | 93.9% | 17,698.4 | 90.1% | 21,342.9 | 98.2% |
| Total personal wealth management products issued | 82,167.3 | 100.0% | 92,439.9 | 100.0% | 88,653.0 | 100.0% | 19,638.9 | 100.0% | 21,732.8 | 100.0% |

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Our personal wealth management business has grown soundly in recent years. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, the face value of wealth management products sold to our retail banking customers was RMB82,167.3 million, RMB92,439.9 million, RMB88,653.0 million, RMB19,638.9 million and RMB21,732.8 million, respectively. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of wealth management products sold to our retail banking customers was RMB34,487.0 million, RMB37,093.3 million, RMB36,300.1 million and RMB38,130.4 million, respectively. As of March 31, 2021, we had approximately 76,340 retail wealth management customers.

Pursuant to the 2018 Wealth Management Measures, we classify our wealth management products into five categories based on their risk levels: R1 refers to extremely low risk; R2 refers to low risk; R3 refers to medium risk; R4 refers to comparatively high risk and R5 refers to high risk. Most principal-guaranteed wealth management products are classified as R1 wealth management products. During the Track Record Period, we did not issue any R4 or R5 wealth management products.

The following table sets forth details of the personal wealth management products we issued by risk levels during the periods indicated.

| | For the years ended December 31, | | | | | | For the three months ended March 31, | | | |
|--------------------|--|----------------------|------------------------|----------------------|------------------------|----------------------|--------------------------------------|----------------------|------------------------|----------------------|
| | 2018 | | 2019 | | 2020 | | 2020 | | 2021 | |
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| | <i>(RMB in millions, except for percentages)</i> | | | | | | | | | |
| R1 | 11,434.2 | 13.9% | 15,224.1 | 16.5% | 5,427.5 | 6.1% | 1,940.5 | 9.9% | 389.9 | 1.8% |
| R2 | 56,256.7 | 68.5% | 61,889.0 | 66.9% | 71,383.6 | 80.5% | 14,882.0 | 75.8% | 21,164.0 | 97.4% |
| R3 | 14,476.4 | 17.6% | 15,326.8 | 16.6% | 11,841.9 | 13.4% | 2,816.3 | 14.3% | 178.9 | 0.8% |
| Total . . . | <u>82,167.3</u> | <u>100.0%</u> | <u>92,439.9</u> | <u>100.0%</u> | <u>88,653.0</u> | <u>100.0%</u> | <u>19,638.9</u> | <u>100.0%</u> | <u>21,732.8</u> | <u>100.0%</u> |

In 2015, we established our Private Banking Center, which was renamed to Private Banking Department in April 2019, to provide one-stop financial services tailored to our high-end customers. These products and services mainly include wealth management products tailor-made for high net worth families, family wealth planning and family healthcare services. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, the aggregate nominal value of our sales of wealth management products to private banking customers was RMB11,502.1 million, RMB12,036.0 million, RMB11,570.0 million, RMB2,245.5 million and RMB1,825.6 million, respectively. As of December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, the balances of our wealth management products sold to private banking customers were RMB4,560.5 million, RMB4,450.8 million, RMB3,193.2 million, RMB4,147.8 million and RMB2,711.9 million, respectively. As of the same dates, we had approximately 4,300, 4,600, 5,300, 4,800 and 5,500 private banking customers, respectively. In 2018, our private banking team won the championship in the sixth Dongguan Golden Wealth Management Planner Competition and also received the award of “Private Banking Brand with the Greatest Potential” at the Fourteenth Annual Meeting of Pan-Asia Wealth Management and Private Banking.

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Fee and commission income derived from our wealth management agency service was RMB311.6 million, RMB459.3, RMB328.7 million, RMB55.0 million and RMB65.9 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, respectively, representing 3.2%, 3.9%, 2.7%, 1.7% and 2.1% of our operating income as of the periods. For details, please see “Financial Information — Results of Operations for The Years Ended December 31, 2018 and 2019 — Net Fee and Commission Income — Fee and Commission Income — Wealth Management Agency Service Fee”, “Financial Information — Results of Operations for The Years Ended December 31, 2019 and 2020 — Net Fee and Commission Income — Fee and Commission Income — Wealth Management Agency Service Fee” and “Financial Information — Results of Operations for The Three Months Ended March 31, 2020 and 2021 — Net Fee and Commission Income — Fee and Commission Income — Wealth Management Agency Service Fee”.

Agency Services

Insurance Services

As of March 31, 2021, we were entrusted by 19 insurance companies as their agent to distribute over 200 of their insurance products, including life insurance and property insurance products. These insurance companies will enter into insurance contracts with such customers in connection with relevant purchase while we charge commission for such agency services. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, we had distributed insurance products with a total transaction volume of RMB2,083.5 million, RMB1,819.1 million, RMB1,284.4 million and RMB457.1 million, respectively.

Fund Agency Services

In 2011, we were qualified by CSRC to provide fund agency services. As of March 31, 2021, we had established working relationship with 26 fund companies and distributed over 1,900 fund products under such agency arrangement for them. We enter into cooperative agency agreements with fund companies and assist them to sell their fund products to customers. We charge commission for such agency services stipulated in the cooperative agreements. Retail banking customers may purchase five types of fund products through us, namely, currency fund, debt security fund, hybrid fund, equity fund and short-term wealth management fund. We have implemented strict policies and procedures for the selection and assessment of fund companies, including but not limited to, the historical performance, fund size and investment strategies. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, we had distributed fund products with a total transaction volume of RMB17,953.4 million, RMB10,885.4 million, RMB6,476.7 million and RMB1,567.7 million, respectively.

Agency for Precious Metal Trading

We act as an agent for sales of tangible precious metal products by suppliers of precious metal. In 2013, we filed the registration for agency services for sales of branded gold and received confirmation for registration from Financial Market Department of PBoC. As of March 31, 2021, we had cooperation with nine gold companies and provided agency services for the sales of over 700 types of precious metal products with standardized specification and purity. We charge commission for such agency services. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, the transaction volume of such agency sales was RMB55.6 million, RMB62.9 million, RMB135.7 million and RMB55.8 million, respectively.

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Underwriting of Treasury Bonds

In March 2018, we commenced underwriting services for treasury saving bonds. Our customers may purchase and redeem treasury saving bonds at our counter, or use such treasury bonds as mortgage for their loan applications. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, the transaction amount of such services was RMB662.9 million, RMB1,027.6 million, RMB528.7 million and RMB132.0 million, respectively.

Payroll, Dividend, and Collecting and Payment Services

We provide government entities, public institutions, enterprises with agency services for their payroll and the Village Groups for their payment of dividend. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we provided funds disbursement and payment agency services to approximately 7,300, 9,100, 11,500 and 10,800 corporate customers, respectively, for payment of salary and dividend. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, the total amount of salaries and dividend paid through our payroll services was RMB33,435.4 million, RMB40,285.0 million, RMB46,038.3 million and RMB17,315.1 million, respectively.

Employees and the Village Group residents that receive their salaries or dividends in their personal bank accounts with us are the important sources for our mid-and high-end retail banking customers. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had approximately 1.8 million, 1.9 million, 2.2 million and 1.3 million individual payroll or dividend service customers, respectively.

We provide collection and payment agency service for rent, utilities such as electricity, telephone bills, and tuition fees. Such fees could be paid through various channels including our personal online banking websites, mobile banking Apps, D+Bank App and counters. In line with our strategy to enhance our rural financial services, we launched “Village Easy Pay (村繳易)” in December 2018, which is a comprehensive collection and payment of rent service specifically designed for the Village Groups.

Retail Banking Customer Base

During the Track Record Period, we continued to expand our retail banking customer base. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had approximately 17.8 million, 19.4 million, 20.6 million and 20.7 million retail banking customers, respectively. The Village group residents constitute an important part of our retail banking customer base. We have also expanded our retail banking customer base through our Industrial Finance services. In particular, we have participated in a number of investment and financing projects of local governments and public institutions for public transportation and other public welfare facilities, mainly including schools and hospitals. For instance, since January 2018 we have been in cooperation with a company operating the subway service in Dongguan, to enable IC card and mobile flash payment in connection with subway and bus services. Our “Bank Campus Connection (銀校通)” provides electronic payment services to schools and our “Mobile Healthcare (移動醫療)” provides services for hospital such as online appointment, payment and report queries.

We seek to provide differentiated services to our retail banking customers and enhance their loyalty and explore cross-selling opportunities. We classify our customers into 11 categories based on the amount of their

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total financial assets. For instance, customers whose financial assets are between RMB3.0 million and RMB6.0 million are classified as “7-Stars Customers”, and customers whose financial assets are RMB6.0 million or above are classified as “Crown Customers”, “2-Crowns Customers” and “3-Crowns Customers”. Our Private Banking Business Department provides high-net worth customers with customized financial products. In response to the challenges brought by internet and mobile platforms, we have launched various products and services easily accessible from internet terminals and mobile handsets in cooperation with third-party platforms. For instance, we have cooperated with a leading Internet company to provide inter-district small loans. For details, please see “— Distribution Network — Electronic Banking Channels — Online Banking.”

Treasury Business

Overview

Our treasury business consists primarily of money market transactions and investment business. As of December 31, 2018, 2019 and 2020 and March 31, 2020 and 2021, the operating incomes of our treasury business were RMB1,467.7 million, RMB2,204.7 million, RMB1,385.8 million, RMB475.8 million and RMB291.4 million, representing 15.0%, 18.7%, 11.5%, 15.0% and 9.2% of the total operating incomes, respectively.

We have accumulated abundant industry experience and market recognition. From 2015 to 2020, we were awarded “Exceptional Proprietary Institution (優秀自營機構)” by CCDC for six consecutive years. In 2017, we were awarded “Exceptional Issuance Institution (優秀發行機構)” by CCDC and “Exceptional Institution of the Year for Debt Securities Net Amount Proprietary Clearing (年度債券淨額自營清算優秀獎)” by Shanghai Clearing House (上海清算所). From 2017 to 2020, we were recognized by the China Foreign Exchange Trading Centre as an “active traders of the inter-bank RMB market” for four consecutive years.

We obtained various qualifications for treasury business, including:

- in 2017, we obtained the qualification of underwriting of debt financing instruments for non-financial enterprises (非金融企業債務融資工具承銷資格);
- in 2017, we obtained the membership of underwriters syndicates for treasury saving bonds (儲蓄國債) and book-entry treasury bonds (記賬式國債) in 2018-2020 from the MOF;
- in 2018, we obtained the membership of the syndicate of underwriting and distributing financial debt securities of China Development Bank and The Export-Import Bank of China;
- in 2018, we obtained the membership of underwriters syndicate for debt securities of Guangdong Provincial Government;
- in February 2019, we obtained the qualification as the lead underwriter of Type B corporate debt financing instruments, being the first local commercial bank to obtain such qualification in Dongguan;
- in April 2019, we obtained the qualification to engage in common derivatives trading; and

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- in December 2020, we obtained the membership of underwriters syndicates for treasury saving bonds (儲蓄國債) and book-entry treasury bonds (記賬式國債) in 2021-2023 from the MOF.

Our variety of business qualifications have laid a solid foundation for our treasury business.

Major Products and Services

Money Market Transactions

Our money market transactions mainly include: (i) interbank placement; (ii) interbank deposits; and (iii) financial assets held under resale agreements and sold under repurchase agreements.

Interbank Placement

In January 1999, we were among the first group of RCCUs approved by PBoC to enter interbank markets. Interbank placement is a short-term funding business conducted through China Foreign Exchange Trade System & National Interbank Funding Center.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our placements with banks and other financial institutions (including Renminbi and foreign currencies) was equivalent to RMB2,024.6 million, RMB4,174.0 million, RMB890.8 million and RMB990.0 million, respectively. As of the same dates, the balance of our placements from banks and other financial institutions was equivalent to RMB1,601.1 million, RMB1,250.0 million, RMB700.0 million and RMB1,700.0 million, respectively. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, our interest income generated from placement with banks and other financial institutions was RMB52.0 million, RMB113.8 million, RMB95.2 million, RMB41.8 million and RMB7.6 million, respectively. For the same periods, our interest expenses on placement from banks and other financial institutions was RMB59.6 million, RMB32.5 million, RMB59.2 million, RMB10.6 million and RMB19.3 million, respectively.

Interbank Deposits

Interbank deposits include deposits with and from banks and other financial institutions. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our deposits with banks and other financial institutions was RMB3,459.6 million, RMB11,768.0 million, RMB12,306.9 million and RMB10,729.6 million, respectively. As of the same dates, our deposits from banks and other financial institutions were RMB29,149.7 million, RMB18,980.2 million, RMB17,200.9 million and RMB26,042.0 million, respectively. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, our interest income generated from our deposits with banks and other financial institutions were RMB76.4 million, RMB73.5 million, RMB47.3 million, RMB21.8 million and RMB10.1 million, respectively. Our interest expense on deposits from banks and other financial institutions were RMB1,710.9 million, RMB941.1 million, RMB522.0 million, RMB136.7 million and RMB122.1 million, respectively, for the same periods.

Financial Assets Held under Resale Agreements and Sold under Repurchase Agreements

As of December 31, 2018, 2019 and 2020 and March 31, 2020 and 2021, our financial assets held under resale agreements were RMB9,558.0 million, RMB5,317.7 million, RMB5,542.9 million, RMB5,660.1 million and

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RMB7,672.1 million, respectively, and our financial assets sold under repurchase agreements were RMB22,200.3 million, RMB25,939.0 million, RMB25,466.4 million, RMB5,475.2 million and RMB17,736.3 million, respectively. The underlying financial assets in these transactions primarily consist of treasury bonds, local bonds, policy financial bonds as well as debt securities and interbank certificates of deposits issued by commercial banks.

The leverage ratios of the financial assets held under resale agreements and sold under repurchase can be calculated as the ending balance of resale or repurchase transactions divided by the nominal value of the underlying assets. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the leverage ratios of the financial assets held under resale agreements were 96.7%, 96.1%, 91.2% and 92.8%, respectively. As of the same dates, the leverage ratios of the financial assets sold under repurchase agreements were 95.5%, 93.7%, 94.2% and 95.4%, respectively.

The interest rate for a transaction under resale agreement or repurchase agreement transaction refers to the interest paid or earned from such transaction, which is the difference between the initial sale price and the buyback price, presented in the form of per annum percentage. As of 2018, 2019, 2020 and March 31, 2021, the interest rates for our financial assets held under resale agreements were in the ranges of 1.0% to 14.0%, 0.8% to 4.5%, 0.6% to 5.0% and 0.6% to 12.0%, respectively. As of the same dates, the interest rates for our financial assets sold under repurchase agreements were in the range of 1.3% to 5.0%, 0.8% to 3.2%, 0.4% to 3.1% and 0.5% to 3.6%, respectively. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, interest earned for our financial assets held under resale agreements were RMB305.6 million, RMB297.1 million, RMB234.9 million, RMB40.9 million and RMB61.8 million, respectively, and interest paid for our financial assets sold under repurchase agreements were RMB543.9 million, RMB496.6 million, RMB420.9 million, RMB117.1 million and RMB146.8 million, respectively, for the same periods.

Investment Business

Our investment business mainly consists of debt securities investment, rights to earnings on credit assets and fund investments. Our investments include but not limited to direct investment, investment in wealth management plans and trust plans.

Debt Securities Investments

Debt securities investments form the majority of our investment business. As of March 31, 2021, debt securities assets accounted for 87.9% of our total financial investment assets. We invest in debt securities issued by PRC central and local government, policy banks, commercial banks and companies. As of December 31, 2018, 2019 and 2020 and March 31, 2020 and 2021, our debt securities investment was RMB167,140.6 million, RMB173,654.7 million, RMB198,595.1 million, RMB170,232.2 million and RMB200,165.7 million, respectively, accounting for 41.0%, 37.7%, 36.2%, 36.9% and 35.5%, respectively, of our total assets as of the same dates. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, interest income generated from our debt securities investment was RMB5,824.2 million, RMB5,057.2 million, RMB5,623.7 million, RMB1,452.7 million and RMB1,578.5 million, respectively, accounting for 36.1%, 29.1%, 28.8%, 30.5% and 29.8% of our total interest income of the same periods.

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The following table sets forth the breakdown of our debt securities investment as of the dates indicated.

| | As of December 31, | | | | | | As of March 31, | |
|--|--------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| <i>(RMB in millions, except for percentages)</i> | | | | | | | | |
| Debt securities issued by the PRC central government | 36,075.3 | 21.6% | 37,168.8 | 21.4% | 58,374.8 | 29.4% | 52,269.7 | 26.1% |
| Debt securities issued by the local government | 34,301.3 | 20.5% | 55,790.2 | 32.1% | 66,941.8 | 33.7% | 70,458.1 | 35.2% |
| Debt securities issued by policy banks ⁽¹⁾ | 8,105.5 | 4.8% | 17,658.1 | 10.3% | 28,409.3 | 14.4% | 31,389.3 | 15.9% |
| Debt securities issued by commercial banks | 1,834.3 | 1.1% | 1,918.3 | 1.0% | 4,775.5 | 2.4% | 9,713.9 | 4.7% |
| Debt securities issued by securities companies | 40.9 | 0.0% | 283.4 | 0.2% | 38.0 | 0.0% | 98.0 | 0.0% |
| Debt securities issued by financial leasing companies | 10,380.1 | 6.2% | 5,735.7 | 3.3% | 2,140.1 | 1.1% | 1,662.8 | 0.8% |
| Debt securities issued by other financial institutions | 6,419.1 | 3.8% | 1,794.2 | 1.0% | 1,129.7 | 0.6% | 1,003.9 | 0.5% |
| Debt securities issued by PRC corporate issuers | 63,108.3 | 37.8% | 44,479.8 | 25.6% | 27,232.2 | 13.7% | 24,099.7 | 12.0% |
| Interbank certificates of deposits | 6,875.7 | 4.1% | 8,826.2 | 5.1% | 9,553.7 | 4.8% | 9,470.3 | 4.8% |
| Total debt securities⁽²⁾ | 167,140.6 | 100.0% | 173,654.7 | 100.0% | 198,595.1 | 100.0% | 200,165.7 | 100.0% |

Notes:

(1) Policy banks refer to China Development Bank, Export and Import Bank of China and Agricultural Development Bank of China.

(2) Including debt securities investments through asset management plans.

We conduct scenario analysis through various monitoring and analytical tools, including, among other things, COMSTAR Fund Business Management System, on market risks, such as adverse movements of asset prices and fluctuations of benchmark rates in the market, which helps to formulate corresponding contingency plans, and adjust our investment strategies in a timely manner. For details, please see “Risk Management — Market Risk Management”.

During the Track Record Period, our debt securities have been classified as financial investments at fair value through other comprehensive income, financial investments at fair value through profit or loss, or financial investment at amortized cost. For details, please see “Assets and Liabilities — Assets — Financial Assets — Distribution by Business Model and Cashflow Characteristics”.

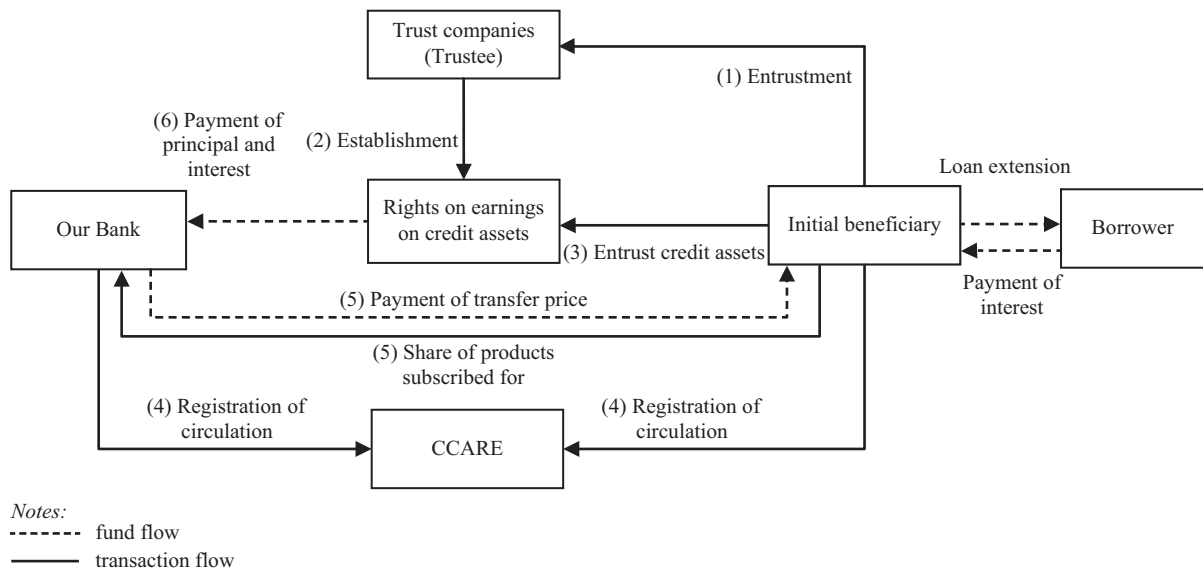
Rights to Earnings on Credit Assets

During the Track Record Period, rights to earnings on credit assets we invested mainly consisted of circulated credit asset products (信貸資產流轉產品). Generally, the assigning party, being the initial beneficiary, entrusts the trust companies or other qualified institutions (the “Trustee”) as the trustee of the investment and

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the Trustee establishes the relevant rights on earnings on credit assets. The assigning party shall transfer the underlying assets to investors directly or through the China Credit Asset Registry and Exchange Co., Ltd., Guangdong Financial Assets Exchange and other platforms, and investors shall purchase such rights to earnings on entrusted credit assets and pay the relevant transfer price to the initial beneficiaries. During the retention period of the rights to earnings on credit assets, the borrower shall repay the principal and interest of the loans extended by the initial beneficiary, and the Trustee shall manage the repayment of the principal and interest of the entrusted credit assets, and pay the principal and interest to the investors upon agreed time according to the purchased shares of the relevant rights to earnings on credit assets. The underlying basic assets in such rights to earnings on credit assets primarily include leasing assets, personal consumption loans, automobile loans and credit loans.

For the circulated rights to earnings on credit assets of CCARE, the relationship among the parties is shown in the chart below:



As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our investment in rights to earnings on credit assets was RMB11,566.8 million, RMB7,694.2 million, RMB4,783.7 million and RMB4,362.2 million, respectively. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, the interest income from our investment in rights to earnings on credit assets was RMB500.8 million, RMB716.4 million, RMB151.5 million, RMB46.8 million and RMB13.9 million, respectively.

During the Track Record Period, all Trustees of our rights to earnings on credit assets were licensed to conduct their trust businesses under applicable laws and regulations. Our Bank conducts strict investigation of all investment products including financial condition of the initial beneficiary and takes into consideration whether there is shortfall payment or repurchase obligations undertaken by the initial beneficiaries or third-party guarantors when making investment decisions in rights to earnings on credit assets. The initial beneficiary generally has no payment or indemnification obligation against our Bank nor does our Bank have any other recourse against the initial beneficiary in case of default of the borrower, except in limited circumstances where such obligation has been expressly provided in the relevant transaction document. For details, please refer to “Risk Management — Credit Risk Management for Treasury Business—Credit Risk Management for Investment in Rights to Earnings on Credit Assets” in this prospectus.

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During the Track Record Period, we kept downsizing our investment in rights to earnings on credit assets and the balance of which significantly decreased from RMB11,566.8 million as of December 31, 2018 to RMB4,362.2 million as of March 31, 2021. During the years ended December 31, 2018 and 2019, the borrowers of our rights to earnings on credit assets have not defaulted their payment obligation. During the year ended December 31, 2020 and the three months ended March 31, 2021, borrowers of our rights to earnings on credit assets with aggregate carrying value of RMB740.9 million and RMB736.3 million defaulted their payment obligation and our corresponding impairment allowances as at December 31, 2020 and March 31, 2021 amounted to RMB294.7 million and RMB463.7 million. As at the Latest Practicable Date, the actual losses arising from such default could not be ascertained since the relevant disposal/recovery procedures are still on-going. Such impairment allowances represented approximately 3.8% and 6.3% of the gross carrying value (i.e. without deduction of impairment allowances) of our rights to earnings on credit assets of RMB7,675.6 million and RMB7,384.7 million as at December 31, 2020 and March 31, 2021, respectively. Our Bank continuously monitors the credit risk of the products and may make disposal decision through our internal risk management procedures.

Fund Investments

We invest in funds and the proceeds raised by our funds are used to invest in standardized debt securities or money market according to the nature of the funds. As of December 31, 2018, 2019 and 2020 and March 31, 2020 and 2021, our investments in funds were RMB6,423.5 million, RMB10,215.3 million, RMB20,496.9 million, RMB14,428.5 million and RMB22,358.5 million, respectively. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, dividend income generated from our fund investment were RMB223.8 million, RMB281.0 million, RMB400.8 million, RMB140.1 million and RMB52.5 million, respectively.

Fund Investments are subject to the supervision and regulation by the CSRC and other relevant regulatory authorities. The underlying assets of such funds are at fair value or amortized cost with their net value announced daily. All the fund companies operating such funds we invested in have the required qualifications for funds, as well as abundant management experience, and solid shareholders backgrounds. For details on risk management on our investment in funds, please see “Risk Management — Credit Risk Management for Treasury Business.”

Rediscounted Bills

We engage in interbank rediscount of bank bills with other financial institutions to generate working capital and income from interest spreads. Bill rediscounting refers to transferring discounted or rediscounted bills prior to maturity among commercial banks and other financial institutions. The rediscounted bills business generates interest income and operating income from the difference between the maturity value of the bills and the price paid by the bank at the time of rediscounting. We offer interbank rediscount services such as bills buy-out, and bills sell-out. We rediscount bills in accordance with the regulations of PBoC. For the years ended December 31, 2018, 2019 and 2020 and three months ended March 31, 2020 and 2021, the interest income from our rediscount bills was RMB595.0 million, RMB578.7 million, RMB433.3 million, RMB125.6 million and RMB151.6 million, respectively, representing 6.1%, 4.9%, 3.6%, 4.0% and 4.8% of our total operating income for the same periods, respectively. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balances of our rediscounted bills were RMB19,183.7 million, RMB17,968.5 million, RMB25,442.8 million and RMB24,372.8 million, respectively.

As of March 31, 2021, all of our rediscounted bills were bank bills, which had lower risk than commercial bills. As we mainly focus on the qualification of accepting and discounting banks, we have engaged

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in such transaction with a variety of large and medium size financial institutions during the Track Record Period. We rediscount bills in accordance with the regulations of PBoC.

PRICING

In compliance with applicable PRC regulatory requirements, we take into account various factors, including cost of funds, management costs, risk exposure and expected yield in pricing or repricing based on our established pricing mechanism. We also evaluate the overall market conditions, pricing for similar products and services provided by our competitors. Our pricing policies are formulated and determined by Assets and Liabilities Management Committee at our head office. Our business units determine specific pricing for their products and services within their respective authorizations granted by our head office.

Loans

Interest rates of our RMB-denominated loan are subject to regulations of PBoC. On July 20, 2013, PBoC removed the interest rate floor of 70% on loans from financial institutions and allowed financial institutions to set interest rates based on commercial considerations. We determine interbank interest rates through negotiation as such rates are generally not subject to the regulations of PRC regulatory authorities. In August 2019, PBoC announced the reform of the LPR determination system. Under the new system, the LPR will be quoted monthly on the basis of open market interest rates. According to the requirement of PBoC, commercial banks shall determine their loan rates with reference to the LPR and interest rates of floating rate loans shall also be determined accordingly. For details, please see “Supervision and Regulation — Pricing of Products and Services”.

We categorize our customers before determining the pricing of loan products accordingly. We determine the pricing for our loan products based on a combination of many factors, such as the loan applicants’ financial condition and credit rating, the loan applicants’ industry, the nature and value of the collateral, the term of the loan, the intended use of loan proceeds and the prevailing market conditions. In such process of determination, we focus on the contribution brought by the customers to our businesses, credit risk and ROE after risk adjustment. We also take into consideration the funding cost, taxes, management expenses and expected rates of return.

Deposits

Since October 24, 2015, PBoC has removed the interest rates cap on RMB-denominated deposits for financial institutions including commercial banks and allowed banks to set interest rates on such deposits based on commercial consideration. In addition, commercial banks currently are permitted to negotiate and determine the interest rates on foreign currency-denominated deposits. We may therefore offer our key corporate banking customers differentiated interest rates for their deposits based on PBoC prescribed rates as we deem appropriate. For some of our key customers, the actual interest rates on deposits could fluctuate around the nominal interest rate on deposits.

PBoC has also liberalized interest rates on interbank placings, and we determine such rates based primarily on the market interest rate. Our Assets and Liabilities Management Committee (資產負債管理委員會) is responsible for the review of our RMB-denominated deposit pricing policies.

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Fee-and-Commission-Based Products and Services

With respect to fee-and-commission-based products and services, we charge our service fee which consists of a fixed part and a floating part pursuant to our product manual. Please also see “Supervision and Regulation — Pricing of Products and Services”.

DISTRIBUTION NETWORK

Overview

We provide our products and services through our distribution network which includes physical outlets and electronic banking channels.

Branch and Outlet Network and Self-service Banking Facilities

As of the Latest Practicable Date, our Bank had 505 outlets, including two branches, 37 tier-one sub-branches, 186 tier-two sub-branches and 280 offices. 501 of the 505 outlets are located in Dongguan with an average business coverage of approximately four to five sq.km., ranking the first in terms of the numbers of physical outlets among all the commercial banks in Dongguan. Pursuant to the Regulations on Administrative Matters of Small Rural Banks (《農村中小銀行機構行政許可事項實施辦法》) issued by CBIRC on December 26, 2019, our Bank is eligible for applying to establish branches, sub-branches as well as offices. When selecting locations of our outlets, we take into consideration various factors such as geographical location, the economic environment and competition in the relevant area.

Establishment of the aforesaid outlets shall be reviewed and approved by the relevant regulatory authorities. There are different conditions for the establishment of branches, sub-branches and offices. For details, please refer to “Supervision and Regulation — Licensing requirements — Establishment of outlets” in this prospectus. We establish a tier-one sub-branch for each of the township areas of Dongguan, which supervises the management of tier-two sub-branches and offices in the respective township area. As a local bank, our extensive outlet network is a key competitive strength and an important channel to maintain local connection with local Village Groups and SMEs. As of the Latest Practicable Date, there were 350 administrative Village Groups and 242 communities in Dongguan, and we had 501 outlets in Dongguan to provide local coverage.

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The table below sets forth the average size and services provided by the Bank's outlets and respective numbers as of the Latest Practicable Date.

| | Number | Average Size (sq.m.) | Primary Services | Targeted Customers |
|---------------------|-------------------|---------------------------------|---|---|
| Branch | 2 ⁽¹⁾ | 900 | assets, liabilities, intermediary and wealth management businesses, and full-functional outlets with the responsibility of management of outlets in their respective region | corporate customers; mid-to-high end retail customers; SMEs |
| Tier-one sub-branch | 37 ⁽²⁾ | 1,170 | liabilities, intermediary and wealth management businesses | retail customers; SMEs; merchants nearby; mid-to-high end retail customers nearby |
| Tier-two sub-branch | 186 | 345 | | |
| Office | 280 | 250 | | |

Notes:

- (1) Two branches are outside Dongguan, namely, Hengqin Branch in Guangdong Pilot Free Trade Zone (廣東自貿試驗區橫琴分行) and Nansha Branch in Guangdong Pilot Free Trade Zone (廣東自貿試驗區南沙分行).
- (2) Including two tier-one sub-branches outside Dongguan, namely, Qingxin Sub-branch (清新支行) and Huizhou Sub-branch (惠州支行).

As of the Latest Practicable Date, two outlets were recognized as “Thousand Excellent Outlet Civilized and Standardized Service in China Banking Industry (中國銀行業文明規範服務千佳單位)”, three outlets were recognized as “5-Star Outlet”, three outlets were recognized as “4-Star Outlet” and five outlets were recognized as “3-Star Outlet” by China Banking Association. We ranked the first in Dongguan in terms of the number of Star Outlets awarded for the past four years. In addition, as of the Latest Practicable Date, we had four outlets outside Dongguan jurisdiction, locating in the cities of Guangzhou, Zhuhai, Huizhou and Qingyuan in Guangdong Province, operated by our two branches and two sub-branches outside Dongguan. The table below sets forth the number of the outlets of our Bank as of the dates indicated.

| | As of December 31, | | | | | | As of March 31, | |
|------------------------|---------------------------|-------------------|---------------|-------------------|---------------|-------------------|------------------------|-------------------|
| | 2018 | | 2019 | | 2020 | | 2021 | |
| | Number | % of total | Number | % of total | Number | % of total | Number | % of total |
| Dongguan | 510 | 99.2% | 502 | 99.2% | 502 | 99.2% | 502 | 99.2% |
| Guangzhou | 1 | 0.2% | 1 | 0.2% | 1 | 0.2% | 1 | 0.2% |
| Zhuhai | 1 | 0.2% | 1 | 0.2% | 1 | 0.2% | 1 | 0.2% |
| Huizhou | 1 | 0.2% | 1 | 0.2% | 1 | 0.2% | 1 | 0.2% |
| Qingyuan | 1 | 0.2% | 1 | 0.2% | 1 | 0.2% | 1 | 0.2% |
| Total | 514 | 100.0% | 506 | 100.0% | 506 | 100.0% | 506 | 100.0% |

Moreover, as of March 31, 2021, our four county banks, namely, Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank and Hezhou Babu Dongying County Bank had six, two, two and four outlets, respectively, and our two subsidiaries, namely, Zhanjiang RCB and Chaoyang RCB had 76 and 106 outlets, respectively.

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As of the Latest Practicable Date, the distribution of tier-one sub-branches and number of tier-two sub-branches and offices of our Bank in Dongguan is illustrated in the map below.



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As of the Latest Practicable Date, the distribution of branches or sub-branches outside Dongguan and our subsidiaries was illustrated in the map below.



Our self-service banking facilities include ATMs, self-service deposit and withdrawal machines, and other self-service terminal machines. These facilities provide 24-hour convenient and efficient self-services to customers such as balance inquiry, cash deposit and withdrawal, fund transfer, and payment of public utility bills, and have effectively reduced our operation costs. As of March 31, 2021, we had 123 ATMs and 1,050 self-service deposit and withdrawal machines.

Electronic Banking Channels

In 2008, we started to provide electronic banking services. Currently, our electronic banking channels provide comprehensive financial services through online banking, mobile banking, telephone banking and WeChat banking. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had approximately 3.6 million, 4.5 million, 5.5 million and 5.7 million customers who have established accounts through our electronic banking channels, respectively. As of March 31, 2021, we had approximately 192,700 corporate banking customers who have established accounts through our electronic banking channels. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, the substitution rate of our electronic banking channels, namely, the ratio of the number of transactions processed through such channels to the number of our total transactions, was approximately 95.5%, 95.8%, 96.0% and 96.2%, respectively.

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Online Banking

We provide 24-hour online banking services via our official website **www.drcbank.com** to our customers. For our corporate banking customers, through corporate online banking we provide a series of services including account management, fund transfer and remittance, payroll service, investment and wealth management, electronic bills, customer service, business management, international business, business application, intermediate business and business owner service, and through internet banking and cash management system for groups, we provide a series of services including account management, external payment, multi-level account books and cash sweep. For our retail banking customers, through online banking we provide a series of services including account management, fund transfer and remittance, recharge and bill payment, wealth management, loans, electronic slips and credit card services. Our Digital Finance Department is mainly responsible for: (i) provision of inter-district small loans through cooperation with third-party internet platforms such as third-party financial platforms; (ii) direct sales business launched in 2016, and D+Bank App officially launched in December 2018 which provide services including wealth management, deposits, loans and funds; and (iii) internet payment services.

As of March 31, 2021, we had a total of approximately 666,400 online banking customers, including approximately 138,700 corporate banking customers and approximately 527,600 retail banking customers. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, the aggregate transaction volume processed through our online banking platform was RMB698,066.4 million, RMB734,946.6 million, RMB802,402.4 million and RMB225,325.6 million, respectively.

Mobile Banking

We commenced our mobile banking services in 2014. Through our mobile banking Apps, our customers may access a wide range of services including account inquiries and management, money transfer, purchase of personal wealth management products, application of personal loans, and payment services for utilities.

In January 2018, we launched our mobile banking service App for enterprises. In April 2018, we launched “Wallet Community (荷包社區)”, an online-to-offline mobile App customized to scenarios in our customers’ everyday life such as sales promotions, group-buying, online account top-up, mobile healthcare, and investments and wealth management. In November 2018, we launched membership-based private banking segment for high net-worth customers on our mobile Apps. In addition, we launched a series of products on our mobile apps such as “Card e-loan (卡e貸)” and “Village Easy Pay (村繳易)”.

As of March 31, 2021, the cumulative number of our mobile banking users was approximately 3.1 million. As of March 31, 2021, approximately 4.9 million business transactions with a total transaction amount of RMB101,225.0 million were processed through our mobile banking. In 2017, “Wallet Community (荷包社區)” was awarded “Guangdong Province Best Proprietary Brand (廣東省最佳自主品牌)”, an award jointly issued by Guangdong Enterprise Guild and Guangdong Entrepreneur Organization.

WeChat Banking

In 2014, we introduced our WeChat public platform. In June 2018, we introduced the function of account opening by appointment for enterprises on such WeChat platform. By following our WeChat official account and linking up their bank account to our WeChat banking services, our customers are able to utilize various

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services such as account management and locating nearby outlets. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had approximately 674,200 WeChat account subscriptions and 272,100 WeChat-bound accounts, approximately 873,100 WeChat account subscriptions and 386,500 WeChat-bound accounts, approximately 1,191,500 WeChat account subscriptions and 625,600 WeChat-bound accounts, and approximately 1,264,300 WeChat account subscriptions and 775,400 WeChat-bound accounts, respectively.

Telephone Banking

Since June 2008, we have provided our customers with telephone banking services 24-hour via our three customer service hotlines, namely, our general hotline, our credit card hotline, and our private banking hotline through both self-service and teller-operated services. Our telephone banking services include account inquiries and management, assistance with certain transactions, business inquiries, and emergency reporting on lost and stolen cards.

Marketing

Our head office takes the initiative in formulating bank-wide business plans and marketing strategies, whereas each branch and sub-branch carries out implementation plans in their respective regions.

Corporate Banking Marketing

Our corporate banking customers are primarily local enterprises with its operations in the Pearl River Delta. We target the upstream and downstream enterprises in the supply chain of our existing customers. We conduct multi-layered marketing through various corporate banking departments, including the corporate business department, strategic client department and microfinance department. In addition, we maintain and grow our customer base in local Village Groups and SMEs leveraging our broad coverage of outlet network.

Retail Banking Marketing

We categorize our customers in accordance with their different asset size and reinforce their loyalty through various wealth management agency services and various value-added services of equity points. Through cooperation between our Private Banking Department and our other departments, we continuously introduce customized new products to attract high net-worth customers.

Treasury Business Marketing

In January 1999, we started operating in the interbank placement market. We have obtained various qualification to conduct relevant treasury business and provide comprehensive and diversified financing services.

COUNTY BANKS

Overview

As of March 31, 2021, we controlled and consolidated four county banks, namely Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank and

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Hezhou Babu Dongying County Bank. As of March 31, 2021, these four county banks had in aggregate approximately 161 corporate banking loan customers, 1,203 corporate banking deposit customers, 3,177 retail banking loan customers and 57,955 retail banking deposit customers, respectively. County banks are categorized as rural financial institutions. According to the Guidelines on Regulation of County Banks (Yin Jian Fa [2017] No. 52) (《村鎮銀行監管指引》(銀監發〔2017〕52號)) Article 8, county banks are allowed to operate the following businesses: deposit-taking, provision of short-term, medium-term and long-term loans, domestic settlement, bill acceptance and factoring, issuance of financial instrument, inter-bank financing, bank cards, acting as the agent of issuance and payment and underwriter of debt securities issued by the government, collecting and payment agent and insurance agent, trading of treasury bonds and financial bonds and other businesses permitted by the CBRC and its sub-ordinates.

Financial Consolidation of Our County Banks

We consolidate the financial statements of all these four county banks, including three in which we own 50% or more equity interest as our majority-controlled subsidiaries. The remaining one in which we own less than 50% equity interest is aligned with us through acting-in-concert agreement. For the basis of such consolidation for the preparation of the consolidated financial statements, please see “Appendix I — Accountant’s Report — Summary of Significant Accounting Policies — Consolidated Financial Statements — Basis of Consolidation.”

Management of the County Banks

Each of our four county banks is our subsidiary and an independent legal entity regulated by CBIRC. All four banks use “Dongying (東盈)” as part of their company names for branding purposes. In compliance with the requirements of CBIRC, these four banks maintain autonomous operation. Each of our county banks is different in terms of its geographic locations, target market, customer base, and product offerings, with generally smaller business scale and offer fewer products and services compared to our Bank. We believe an autonomous operation business model enables the county banks to leverage their local networks and customer relationships, and to become more responsive to changes in their respective local markets.

All of the four county banks operate their business independently. However, the county banks entrust part of the management of their information technology system to us. In addition, we have deployed certain management personnel to participate in the operations of the county banks. As of March 31, 2021, the board of directors of each of Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank and Hezhou Babu Dongying County Bank comprises a total number of five, five, six and five directors, respectively, of whom three, two, one and two of such directors were appointed by us, respectively. We also appointed certain senior executives of the four county banks. For Dongguan Dalang Dongying County Bank, of which our Bank held only 35% of the equity interest, our Bank effectively controls 51% of its voting rights through acting-in-concert agreement entered into with shareholders holding 16% of equity interest, who agree to vote as directed by our Bank. For details, please see “History, Development and Corporate Structure — Corporate Structure — Our Subsidiaries.”

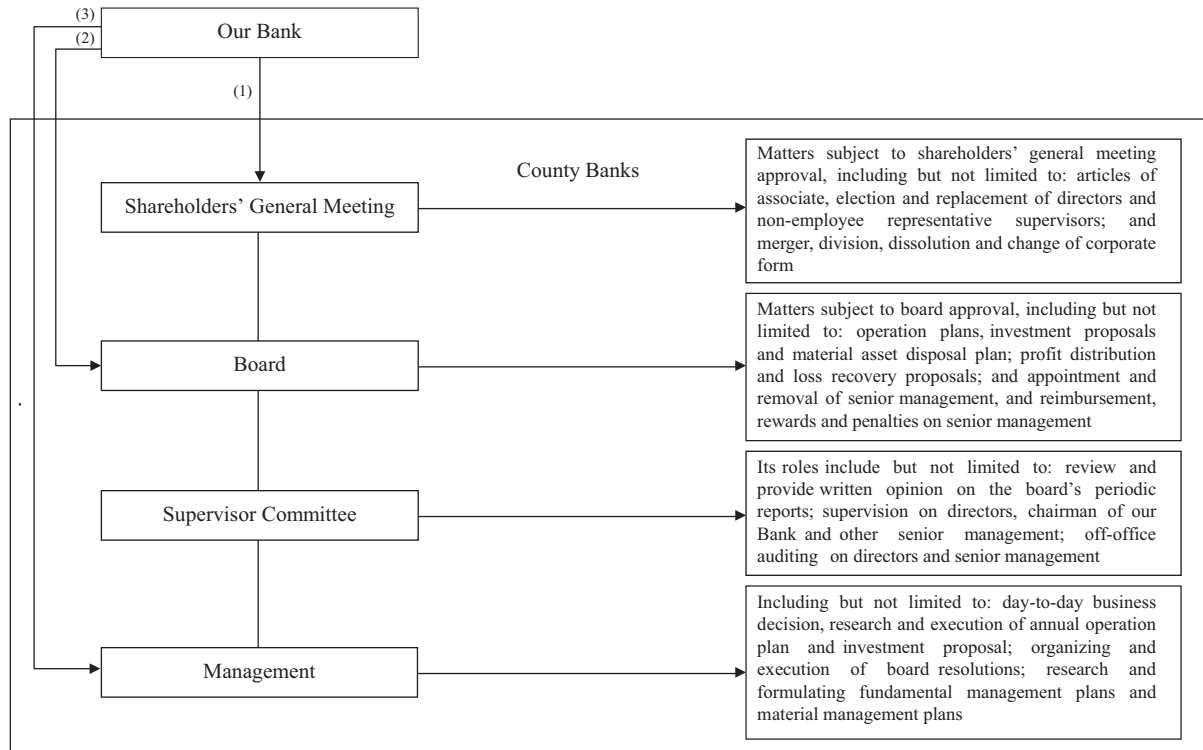
Although we do not directly participate in business operations of the four county banks, we manage these county banks through providing overall strategic guidance, monitoring the implementation of operating policies and participating in their decision-making processes that are of significance in their development. The directors

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appointed by us are responsible to supervise and strategically guide the operation of the banks and to participate in the decision making on important matters in relation to the development of the banks. Further, the senior executives that we appointed are responsible to participate in and oversee the implementation of the operational policies of the four county banks.

Decision-Making Process of Our County Banks

The following chart sets forth the management control of our county banks.



Notes:

- (1) We hold the majority of voting rights, including through acting-in-concert agreement.
- (2) We can appoint directors to the county banks, along with risk management personnel to guide and monitor the implementation of their risk management measures and processes by exercising the rights of shareholder. As of March 31, 2021, the board of directors of Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank and Hezhou Babu Dongying County Bank comprised a total number of five, five, six and five directors, respectively, of whom three, two, one and two of such directors were appointed by us, respectively.
- (3) We appoint senior executives to county banks to supervise the operation and management.

Financial Contribution of Our County Banks

The contribution of each of our county banks, as well as all of such banks in aggregate, represented an insignificant percentage to our consolidated financial statements.

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The following table sets forth the percentage contribution of each county bank to our net interest income, net fee-and-commission income, operating income for the periods indicated.

| | For the years ended December 31, | | | | | | For the three months ended March 31, | | | | | |
|---------------------------------------|----------------------------------|-------------------------------|------------------|---------------------|-------------------------------|------------------|--------------------------------------|-------------------------------|------------------|---------------------|-------------------------------|------------------|
| | 2018 | | 2019 | | 2020 | | 2021 | | 2021 | | 2021 | |
| | Net interest income | Net fee-and-commission income | Operating income | Net interest income | Net fee-and-commission income | Operating income | Net interest income | Net fee-and-commission income | Operating income | Net interest income | Net fee-and-commission income | Operating income |
| | <i>(in percentages)</i> | | | | | | | | | | | |
| Huizhou Zhongkai Dongying County Bank | 1.1% | 0.0% | 0.8% | 0.6% | 0.0% | 0.4% | 0.3% | 0.0% | 0.2% | 0.3% | 0.0% | 0.3% |
| Yunfu Xinxing Dongying County Bank | 0.3% | 0.0% | 0.2% | 0.3% | 0.0% | 0.2% | 0.2% | 0.0% | 0.2% | 0.2% | 0.0% | 0.2% |
| Dongguan Dalang Dongying County Bank | 0.5% | 0.0% | 0.3% | 0.5% | 0.0% | 0.4% | 0.4% | 0.0% | 0.3% | 0.3% | 0.0% | 0.3% |
| Hezhou Babu Dongying County Bank | 0.6% | 0.0% | 0.5% | 0.4% | 0.0% | 0.4% | 0.4% | 0.0% | 0.3% | 0.4% | 0.0% | 0.3% |
| Total | 2.5% | 0.0% | 1.8% | 1.8% | 0.0% | 1.4% | 1.3% | 0.0% | 1.0% | 1.2% | 0.0% | 1.1% |

The following table sets forth the percentage contribution of each county bank to our total assets as of the dates indicated.

| | As of December 31, | | | As of March 31, |
|---------------------------------------|-------------------------|-------------|-------------|-----------------|
| | 2018 | 2019 | 2020 | 2021 |
| | <i>(in percentages)</i> | | | |
| Huizhou Zhongkai Dongying County Bank | 0.4% | 0.2% | 0.2% | 0.2% |
| Yunfu Xinxing Dongying County Bank | 0.1% | 0.1% | 0.1% | 0.1% |
| Dongguan Dalang Dongying County Bank | 0.2% | 0.2% | 0.2% | 0.2% |
| Hezhou Babu Dongying County Bank | 0.2% | 0.2% | 0.2% | 0.2% |
| Total | 0.9% | 0.7% | 0.7% | 0.7% |

SUBSIDIARY RURAL COMMERCIAL BANKS

Zhanjiang RCB

Zhanjiang RCB was established on October 26, 2019 to provide banking services mainly in the Chikan, Potou, Xiashan and Mazhang districts as well as the Economic and Technology Development Zone of Zhanjiang, Guangdong Province. As of the Latest Practicable Date, we hold 49.41% equity interest in Zhanjiang RCB and is its largest shareholder.

The financial results of Zhanjiang RCB are consolidated into our financial statements in accordance with IFRS 10. For the years ended December 31, 2019 and 2020 and for the three months ended March 31, 2021, its contribution to our net interest income, operating income and net profit were 1.27%, 6.75%, 6.55% and 0.98%,

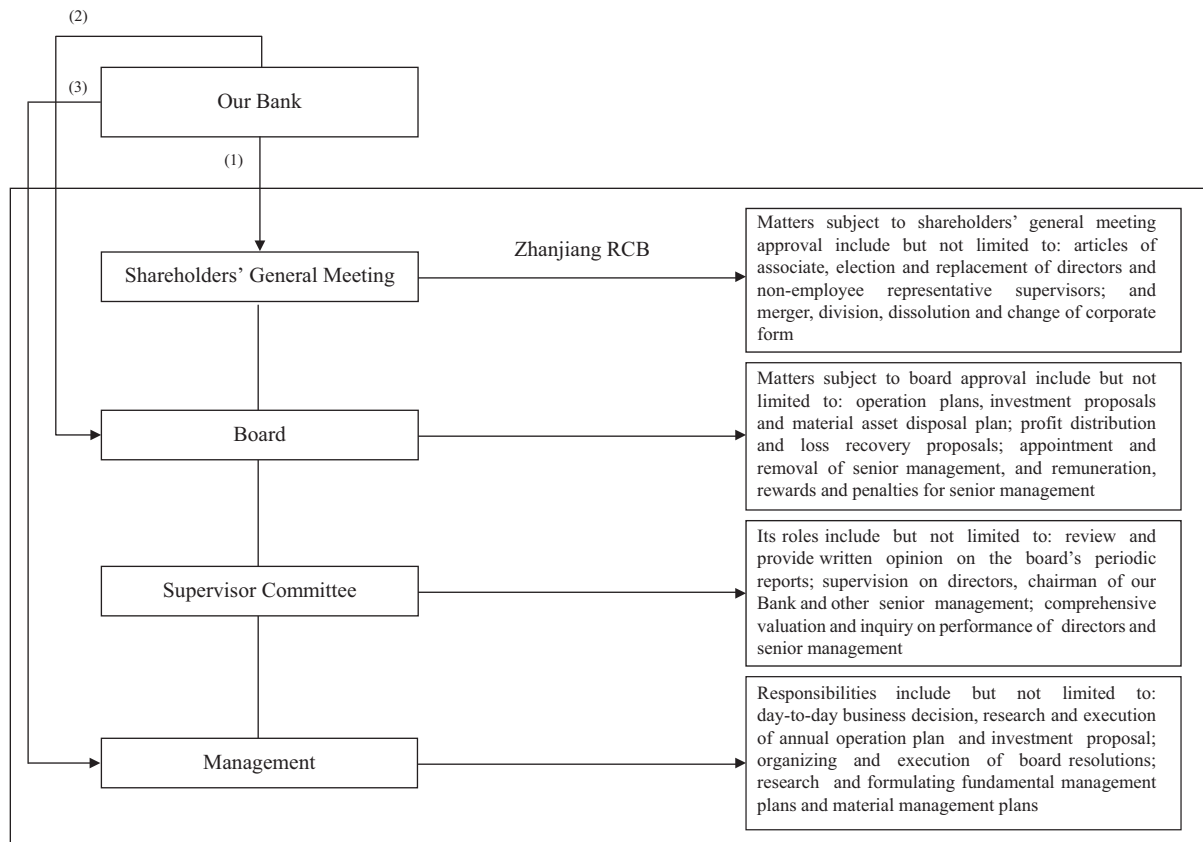
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5.82%, 5.52% and 0.12%, 4.88%, 2.39%, respectively. As of March 31, 2021, Zhanjiang RCB accounted for 5.23% of our total assets.

Decision-Making Process of Zhanjiang RCB

Zhanjiang RCB is an independent legal entity under the supervision of the CBIRC. By exercising the rights of a shareholder, we actively supervise the corporate governance, comprehensive risk management and capital management of Zhanjiang RCB. We appointed directors and senior management to participate in the daily management, decision making and operation of Zhanjiang RCB. As of the Latest Practicable Date, the board of directors of Zhanjiang RCB consisted of nine directors. We appointed one non-executive director of Zhanjiang RCB upon approval by its general shareholders' meeting. We appointed three senior management of Zhanjiang RCB upon approval by its board of directors, including one president, and two vice presidents. The directors appointed by us are responsible for supervising and strategically guiding the operation of Zhanjiang RCB and participating in the decision making on important matters in relation to the development of Zhanjiang RCB. In addition, the senior management that we appointed are responsible for overseeing the implementation of the operational policies of Zhanjiang RCB.

The following chart sets forth our control of Zhanjiang RCB based on which we consolidate Zhanjiang RCB.



Notes:

- (1) As of the Latest Practicable Date, we held 49.41% of the voting rights.
- (2) We can exercise our rights as shareholder to appoint directors of Zhanjiang RCB.
- (3) We appoint senior management to Zhanjiang RCB to supervise its management and operation.

Chaoyang RCB

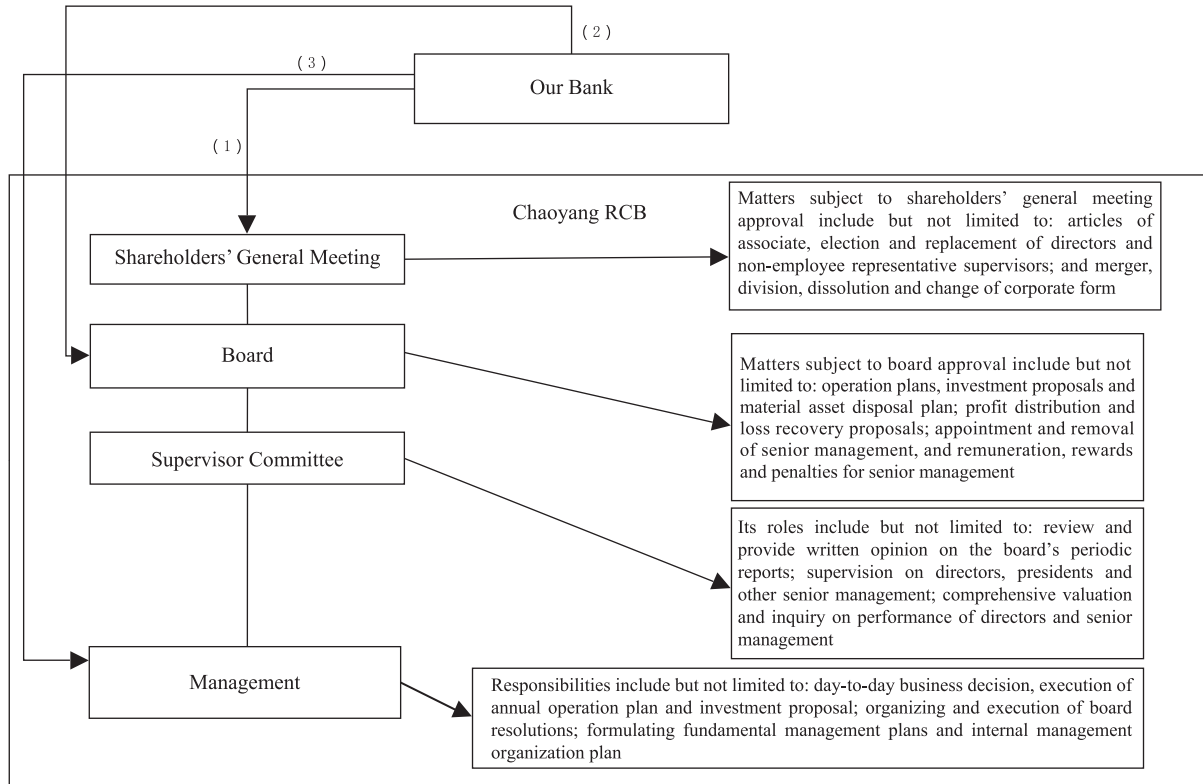
To take advantage of Guangdong Provincial Government’s policy to establish rural commercial banks and to implement of our strategy to solidify our leading position in the Greater Bay Area, we made strategic investment, including equity investment, in Chaoyang RCCU and facilitated its restructuring into Chaoyang RCB. The reformation of Chaoyang RCCU commenced in the second half of 2020. After due consideration and strategic analysis, we believed that investment in Chaoyang RCCU will consummate our strategic positioning where our main operations and headquarters in the Greater Bay Area are fledged and supplemented by Chaoyang RCB and Zhanjiang RCB, which are located in the regional centers of Guangdong east and Guangdong west, respectively. Such positioning can help us implement our strategic objective of developing into a regional modern rural commercial banking group, facilitate our strategy of serving regional economy by extending services to Sannong entities and SMEs in Shantou area, and achieve expansion of geographic coverage of our business. In December 2020, we purchased through public tender and for the total consideration of RMB3,068.5 million the rights to earning of certain underlying assets, which were previously acquired from Chaoyang RCCU by an independent third party through public tender. Subsequently, we purchased 67.03% equity interest of Chaoyang RCB for a total consideration of RMB1,817.7 million. As of the Latest Practicable Date, our Bank held 67.03% equity interest in Chaoyang RCB and was its largest shareholder. For more details, please see “History, Development and Corporate Structure — Material Acquisition during the Track Record Period — Establishment of Chaoyang RCB”.

Chaoyang RCB was consolidated into the financial statements of our Group since December 27, 2020. As of the consolidation date, the loans to customers, deposits from customers and total assets of Chaoyang RCB amounted to RMB3,615.3 million, RMB29,657.9 million and RMB32,748.9 million, respectively. The loan to deposit ratio of Chaoyang RCB was 12.2%. We believe that there is large growth potential for loans to customers, which can provide support for profit growth. According to the relevant statistics of the Chaoyang Sub-branch of PBoC, as of March 31, 2021, RMB-denominated deposits and loans to customers of Chaoyang RCB accounted for approximately 26.57% and 20.35% of the total RMB-denominated deposits and loans to customers of all the banking institutions in Chaoyang District and Chaonan District of Shantou, respectively. Chaoyang RCB has 106 outlets in Chaoyang District and Chaonan District in Shantou. For the three months ended March 31, 2021, contribution of Chaoyang RCB to our net interest income, operating income and net profit were 2.57%, 2.29% and 3.25%, respectively. As at March 31, 2021, the total assets of Chaoyang RCB represented 5.88% of the total assets of our Bank.

Decision-Making Process of Chaoyang RCB

Chaoyang RCB is an independent legal entity under the supervision of the CBIRC. By exercising the rights of a shareholder, we actively supervise the corporate governance, comprehensive risk management and capital management of Chaoyang RCB. We appoint directors and senior management to participate in the daily management, decision making and operation of Chaoyang RCB. As of the Latest Practicable Date, the board of directors of Chaoyang RCB consisted of nine directors. We appointed three persons as its non-executive director upon approval by its general shareholders’ meeting. We appointed three persons as Chaoyang RCB’s senior management upon approval by its board of directors, including one president, and two vice presidents. The following chart sets forth our control over Chaoyang RCB through which we consolidate Chaoyang RCB.

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Notes:

- (1) As of the Latest Practicable Date, we hold 67.03% of the voting rights.
- (2) We can exercise our rights as shareholder to appoint directors of Chaoyang RCB.
- (3) We appoint senior management members to Chaoyang RCB to supervise its management and operation.

INFORMATION TECHNOLOGY

We rely on our information technology system covering key functions of our operation, including business innovation, transaction processing, customer services, risk management and financial management. Such system has continuously improved the efficiency of our services and management, customer experience and risk management capability. We have invested and will continue to invest in the development, maintenance and upgrading of our information technology systems. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, our total expenditure in the procurement and maintenance of information technology equipment, systems and related software and hardware was RMB157.5 million, RMB362.9 million, RMB404.9 million and RMB195.3 million, respectively.

Information Technology Management and Team

There are three centers under our Information Technology Department:

- The Management Center is primarily responsible for infrastructure management, supply management, information security, formulating information technology management policies, employee training, and equipment procurement;
- The R&D Center is primarily responsible for R&D of our information technology system, including R&D of new project and optimization of existing information functionalities; and

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- The Operation & Maintenance Center is primarily responsible for operation and maintenance of information technology infrastructure and internet systems of our data center and branches.

Information Technology System

Through continuous development, integration and optimization, as of March 31, 2021, our IT system consisted of approximately 124 information systems covering traditional banking business, internet financing, mobile payment, risk alert, international settlement and electronic service channel. The system is operated by three centers, namely the management center, operation center and R&D center. These systems are divided into five major layers including channel management, customer management, product management, decision-making and analyzation, and unified infrastructure support.

The channel management layer provides financial services to our customers through various channels such as counters at our outlets, self-service facilities such as ATM and self-service deposit and withdrawal machines, mobile banking, online banking, WeChat banking and D+ Bank APP. The customer management layer, in response to the needs of intelligent identification and marketing, relationship management, wealth management and cash management, conducts marketing based on analyzation of customer profiles, and provides wealth layer for customers and cash management service for enterprises. Our product management system provides application services covering all of our business segments such as loans and credits, credit cards and debit cards, wealth management and intermediate business. Our decision-making and analyzation layer supports our management with timely and accurate analyzation of our risks, performance, finance and compliance status through centralized integration, storage, processing and analysis of our business data. The unified infrastructure support layer provides unified support at the infrastructure level, such as unified customer view and big data basic platform.

We have implemented a variety of security measures to ensure the reliability of our operation systems. We have established a master data center in Dongcheng District (東城區), Dongguan, a same-city disaster backup center for application and data in Tangxia Town (塘廈鎮), Dongguan, and remote-location data disaster backup center in Shanghai, respectively, to protect our business continuity. As of the Latest Practicable Date, no material data loss, system restoration failure or other major accidents and failures have occurred.

PERSONAL DATA AND PRIVACY PROTECTION

We collect certain personal data from our customers in connection with our business and operations, and adopted policies on collection of personal data and privacy protection according to relevant laws and regulations in the PRC. When collecting personal data, we follow the principles of authenticity, validity, integrity, consistency and confidentiality. Upon obtaining consent from the customers, we may collect different types of personal data in the course of our business operation, including, (i) identity information (such as the name, gender, nationality, photo, marital status, family status, residence domicile, habitual domicile, contact method, occupation, workplace as well as the type, number and maturity date of personal identity document); (ii) property information; (iii) account information (such as personal income, account number, and account open date and branch, account balance and transaction information); (iv) credit profile; and (v) other information that reflects the specific situation of certain customers. The provisions in the agreement entered into with our customers expressly specify the authorized scope and conditions for the use of personal data of customers.

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These personal data are collected in accordance with our internal policies and guidelines and depending on the types of business and transaction, are usually stored for at least five years. We have formulated strict customer personal data protection policies and implemented a series of internal control measures accordingly. To reduce the risk of data loss or leakage, we encrypt important user data in the course of network transmission, and backup the data regularly and conduct data restoration drills at least once a year.

As the owner of the information collected from customers, we have the obligation to keep all personal data collected confidential. Unless otherwise required by laws or authorized by the customers, we shall not share or transfer any personal data to third parties. In addition, we have strengthened the daily management and monitoring of external cooperation entities regarding the protection of customers' personal data by entering into legal documents, such as confidentiality agreement or clause.

IMPACT OF COVID-19

Overview

Since the outbreak of COVID-19, draconian measures including travel restrictions have been imposed in major cities in the PRC, as well as other countries and territories, in an effort to contain the outbreak of COVID-19. We adopted appointment-based financial service schemes during the initial strict epidemic prevention and control period and fully resumed normal business operations since March 2020.

In response to various notices by the relevant government authorities and to support the economy, our Group has extended the due date of repayment of the principal and offered a grace period of up to 20 days for interest repayment of certain loans to our customers. For details, please see the sub-paragraph "Deferral of principal and interest repayment" below. On the other hand, taking benefit of PBoC's policy in providing liquidity to promote resumption of production through relending and rediscount, our Group has applied to the PBoC for relending which amounted to RMB4.3 billion as of March 31, 2021 and pledged local government bonds with market value of RMB5.2 billion held by us to the PBoC, resulting the realizable financial assets of our Group reduced by RMB5.2 billion. Relending and rediscount are two policy tools in achieving the monetary policies of the PBoC and are mechanisms for commercial banks to obtain cash from the PBoC. In this context, relending refers to the loans granted by the PBoC to commercial banks in the PRC which may further lend such funds to its customers and rediscount refers to the PBoC acquiring discounted commercial acceptance bills and bank acceptance bills (or similar instruments) held by commercial banks at a discounted rate determined by the PBoC (which reflects the cost of such fund) to provide liquidity to commercial banks, which generally includes an obligation to repurchase such promissory note by the commercial bank. As a result of the extension of principal repayment due date and pledging of local government bonds, our liquidity ratio as at March 31, 2021 has been reduced by 3.2 percentage points to 74.7%, which remained above the minimum regulatory requirement of 25%.

We will continue to monitor the development of COVID-19, and in particular implementation of fiscal and monetary policies by the PRC and/or foreign governments which may bring downward adjustments in market interest rates, and the challenges to the overall business and economic conditions brought by the COVID-19 epidemic. For the risks associated with COVID-19, please see "Risk Factors — Risks Relating to Our Business — The recent outbreak of the contagious COVID-19 in the PRC and worldwide may have an adverse effect on our business, financial condition and results of operations" in this prospectus.

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Deferral of Principal and Interest Repayment

To mitigate the adverse impact on the economy caused by the COVID-19 outbreak, the PRC government has promulgated a number of Deferral Notices at different points of time to encourage banking and financial institutions to extend credit support to enterprises and individual affected by the epidemic, which include:

- the March 2020 Notice which provides that banking institutions may, (i) in respect of loans to micro, small and medium enterprises (including industrial and commercial sole proprietors and owners of micro and small enterprises), extend the due date of (a) principal due since January 25, 2020 and (b) interest due between January 25, 2020 and June 30, 2020, to a date not later than June 30, 2020 upon receiving application from the enterprise, after taking into consideration of the impact of COVID-19 and the operating condition of the relevant enterprise (“**Category I Extension**”); and (ii) in respect of micro, small and medium enterprises that are severely affected by COVID-19 with long recovery cycle but good development prospects, further extend the repayment deadline by negotiation (“**Category II Extension**”);
- the June 2020 Notice which provides that banking institutions may (i) extend the due date of principal and interest of inclusive loans to micro and small enterprises (普惠小微企業貸款) (including loans to micro and small enterprises below or equal to RMB10.0 million per customer, industrial and commercial sole proprietors and direct and indirect owners of micro and small enterprises) due between June 1, 2020 and December 31, 2020 to a date not later than March 31, 2021 upon receiving application from the enterprise, after taking into consideration of the impact of COVID-19 and the operating condition of the relevant enterprise (“**Category I Extension**”); and (ii) in respect of other micro, small and medium enterprise loans and loans to large scale foreign trade companies with special difficulties, may extend the repayment deadline by negotiation (“**Category II Extension**”);
- the December 2020 Notice which provides that principal and interest of inclusive loans to micro and small enterprises due between January 1, 2021 and March 31, 2021 shall be extended by negotiation between the bank and the relevant borrower based on the principle of “due extension (應延盡延)”; and
- the March 2021 Notice which provides that principal and interest of inclusive loans to micro and small enterprises due between April 1, 2021 and December 31, 2021 shall be extended by negotiation between the bank and the relevant borrower based on the principle of “due extension (應延盡延)”.

Pursuant to these Deferral Notices and having considered the financial position of our Group, our Group has approved the extension arrangements of 925 loans in the form of extending the repayment due date or granting a new loan to repay the existing loan to borrowers that we considered to have repayment ability which may be temporarily affected by the COVID-19 epidemic. However, due to risk management consideration, we only approved the deferral application of loans that were not classified as NPL at the time of application and, except for a limited number of deferral application, we generally only allow extension once per loan.

In addition, in response to the appeal for providing support to the economy and the community during COVID-19, we have proactively offered a grace period of up to 20 days for interest repayment in respect of our loans to micro, small and medium enterprises.

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The table below summarized the principal extension granted and grace period on interest payment provided by our Group and their respective subsequent settlement as of June 30, 2021:

| | March 2020 Notice ¹ | | June 2020 Notice ¹ | | December 2020 Notice | March 2021 Notice | In aggregate |
|---|--------------------------------|--|-----------------------------------|--|---|--|-------------------------------------|
| | Category I Extension | Category II Extension | Category I Extension | Category II Extension | | | |
| Principal extension | | | | | | | |
| Range of extended due date | On or before June 30, 2020 | Between July 1, 2020 and June 30, 2023 ² | On or before March 31, 2021 | Between April 1, 2021 and September 30, 2025 ³ | Between April 1, 2021 and March 31, 2024 ⁴ | Between July 1, 2021 and June 30, 2028 ⁵ | On or before June 30, 2028 |
| <i>Number of loans</i> | | | | | | | |
| First deferral under the Deferral Notices | — | 105 | 30 | 144 | 392 | 254 | 925 |
| Further deferral under the Deferral Notices | — | — | — | 3 | 20 | 18 | 41 |
| Total | — | 105 | 30 | 147 | 412 | 272 | |
| <i>Amount of deferral (in millions of RMB)</i> | | | | | | | |
| First deferral under the Deferral Notices | — | 913.2 | 62.0 | 1,123.6 | 178.6 | 164.4 | 2,441.8 |
| Further deferral under the Deferral Notices | — | — | — | 19.0 | 64.7 | 49.6 | 133.3 |
| Total | — | 913.2 | 62.0 | 1,142.6 | 243.3 | 214.0 | |
| <i>Settlement status as of June 30, 2021 (in millions of RMB, except percentage)</i> | | | | | | | |
| Repaid ⁶ | — | 629.0 | 37.0 | 248.8 | 10.2 | 3.7 | 795.4 ⁷ |
| Outstanding ⁶ | — | 284.2 | 25.0 | 893.8 | 233.1 | 210.3 | 1,646.4 |
| Percentage of repayment ⁶ | — | 68.9% | 59.7% | 21.8% | 4.2% | 1.7% | 32.6% |
| Amount overdue | — | 3.8 | 25.0 | 2.0 | 0.5 | — | 31.3 |
| Grace period of up to 20 days on interest payment (in millions of RMB, except number and percentage) | | | | | | | |
| Number of loans | 1,491 | — | 9,723 | — | — | — | 11,214 |
| Amount | 14.8 | — | 157.2 | — | — | — | 172.0 |
| Repaid | 14.5 | — | 156.6 | — | — | — | 171.1 |
| Amount overdue | 0.3 | — | 0.6 | — | — | — | 0.9 |
| Percentage of repayment | 98.0% | — | 99.6% | — | — | — | 99.5% |

Notes:

- Although principals due in June 2020 are covered by both the March 2020 Notice and the June 2020 Notice, such deferrals were considered as deferred under the June 2020 Notice.
- Details of extended due dates of loans (based on due date of the last instalment in case of instalment loans) extended under Category II Extension of March 2020 Notice are as follows: (i) four loans with aggregate principal amount of RMB21.9 million extended to 2020; (ii) 93 loans with aggregate principal amount of RMB613.3 million extended to 2021; (iii) nil loan extended to 2022; and (iv) eight loans with aggregate principal amount of RMB278.0 million extended to 2023.

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3. Details of extended due dates of loans (based on due date of the last instalment in case of instalment loans) extended under Category II Extension of June 2020 Notice are as follows: (i) 76 loans with aggregate principal amount of RMB361.2 million extended to 2021; (ii) 22 loans with aggregate principal amount of RMB363.0 million extended to 2022; (iii) 44 loans with aggregate principal amount of RMB414.8 million extended to 2023; (iv) one loan with principal amount of RMB0.1 million extended to 2024; and (v) four loans with principal amount of RMB3.5 million extended to 2025.
4. Details of extended due dates of loans (based on due date of the last instalment in case of instalment loans) extended under December 2020 Notice are as follows: (i) four loans with aggregate principal amount of RMB6.0 million extended to 2021; (ii) 80 loans with aggregate principal amount of RMB128.0 million extended to 2022; (iii) 33 loans with aggregate principal amount of RMB35.3 million extended to 2023; and (iv) 295 loans with principal amount of RMB74.1 million extended to 2024.
5. Details of extended due dates of loans (based on due date of the last instalment in case of instalment loans) extended under March 2021 Notice are as follows: (i) eight loans with aggregate principal amount of RMB30.4 million extended to 2021; (ii) 50 loans with aggregate principal amount of RMB112.6 million extended to 2022; (iii) four loans with aggregate principal amount of RMB9.3 million extended to 2023; (iv) 207 loan with principal amount of RMB58.2 million extended to 2024; (v) nil loan extended to 2025, 2026 and 2027; and (vi) three loans with principal amount of RMB3.5 million extended to 2028.
6. The loan would be deemed to have been repaid under the initial category if the loan has been further extended.
7. The amount does not equal to the arithmetic sum of the figures on the left columns since certain loans have been deferred more than once.

Notwithstanding the extension of the principal due date, we continue to monitor the quality of such loans in the same manner as other loans granted by our Bank in accordance with our loan classification system and appropriate adjustments will be made to the classification of the relevant loans when necessary. However, given we have granted a deferral, such loans were not considered to have defaulted at their respective original due date and we consider the future repayment ability of the relevant borrower when conducting the loan classification assessment. As at June 30, 2021, out of the outstanding balance of RMB1,646.4 million of principal extended, RMB103.0 million were classified as NPLs.

Taking into account of the amount involved under the Deferral Notices, the outstanding amount as at June 30, 2021, the overdue amount of RMB31.3 million as at June 30, 2021, our Directors are of the view that the deferral arrangement disclosed above has no material adverse impact on our loan portfolio and asset quality, financial results or business operations and loans recoverability. In addition, no event had occurred that would materially and adversely affect the information shown in the Accountant's Report as set out in Appendix I to this prospectus.

Supportive Measures

In prompt response to the relevant supportive policies, we launched various supportive measures, including “Sixteen Financial Service Measures by Dongguan Rural Commercial Bank to Help Enterprises Resume Work and Production (《東莞農商銀行助企復工復產十六條金融服務措施》)”, to qualified enterprises and individuals engaged in epidemic prevention and control industries such as medical and pharmaceutical, wholesale and retail, hospitality and catering, logistics and transportation, with a particular focus on SMEs with good business prospects and credit history who are severely affected by the COVID-19.

We set up problem-solving working group to support the affected entities through cooperation between the head office and the branches, implemented a 24-hour demand response mechanism, and implemented the “Three No Policies (三不政策)”, namely, no early collection of loans, no cessation of loans and no delay in granting loans based solely on temporary difficulties in operation due to the pandemic, for existing customers with good business prospect. We provide bespoke solution for SMEs addressed to their respective situations and different needs, and made adjustment for repayment schedules such as adjusting monthly repayment to quarterly

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repayment and granted extension to loans based on our assessment on the repayment capacities of the borrowers, so as to mitigate the financial pressure of enterprises.

During the epidemic, as a rural commercial bank based in Dongguan, we continued to support Sannong in Dongguan. The balance of our Sannong-related loans increased from RMB24.8 billion as of January 1, 2020 to RMB28.8 billion as of December 31, 2020, involving 692,745 loans, including 692,235 loans with an aggregate balance of RMB24,763.4 million extended to farmers, 376 loans with an aggregate balance of RMB3,790.0 million extended to urban enterprises and various organizations and 134 other Sannong-related loans with an aggregate balance of RMB276.3 million. The balance of our Sannong-related loans further increased to RMB32.3 billion, involving 668,232 loans, as of March 31, 2021, including 667,677 loans with an aggregate balance of RMB26,716.1 million extended to farmers, 400 loans with an aggregate balance of RMB5,271.8 million extended to urban enterprises and various organizations and 155 other Sannong-related loans with an aggregate balance of RMB287.5 million. Such loans effectively supported the local agricultural and economic development. Certain Sannong borrowers have also been granted deferral arrangements as disclosed in the sub-paragraph headed “Deferral of Principal and Interest Repayment” above, which amounted to 345 loans with aggregate principal amount of RMB495.0 million of first deferral as of June 30, 2021, among which six loans with aggregate principal amount of RMB26.9 million have been further deferred under the Deferral Notices, while deferred interests amounted to RMB17.3 million. As at June 30, 2021, the outstanding amount under the principal deferral arrangement was RMB356.2 million while all the aforementioned deferred interests have been repaid.

AWARDS

During the Track Record Period, we received various awards, including:

- January 2021 — “Top 100 Excellent Proprietary Clearing Dealers in the 2020 Comprehensive Evaluation of ChinaBond Members (2020年度中債成員綜合評定結算100強優秀自營商)” by China Central Depository & Clearing Co., Ltd.;
- January 2021 — “2020 Active Traders of the Inter-bank RMB Market (2020年度銀行間本幣市場活躍交易商)” by the National Inter-bank Funding Centre;
- November 2020 — “Socially Responsible Bank with Excellent Competitiveness of 2020 (2020卓越競爭力社會責任銀行)” awarded by China Business (中國經營報);
- October 2020 — “2020 China Gold Tripod Award of Annual Special Contribution to Local Economy (2020中國金鼎獎年度支持地方經濟特別貢獻獎)” awarded by National Business Daily (每日經濟新聞);
- October 2020 — “2020 China Top 500 Enterprises of Service Industry (2020中國服務業企業500強)” jointly awarded by China Enterprise Confederation (中國企業聯合會) and China Entrepreneurs Association (中國企業家協會);
- September 2020 — “Private Enterprise with Outstanding Rural Financial Services in China” (全國農村金融優秀服務民營企業機構) awarded by China Co-operation Times (中華合作時報) and China Finance Magazine (中國金融雜誌社);

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- July 2020 — Ranked 267th in the world and 44th in China among the “Top 1000 Banks in the World” by the Banker, an United Kingdom magazine;
- January 2020 — “2019 Top Ten Rural Commercial Banks Retail Award (2019年十佳農商銀行零售獎)” awarded by the Panel of Retail Finance Journal (零售金融雜誌評選委員會);
- December 2019 — “Inclusive Finance Bank with Excellent Competitiveness (卓越競爭力普惠金融銀行)” of 2019 by China Business (中國經營報);
- September 2019 — “Best Rural Commercial Bank (最佳農商銀行)” by Sina Finance;
- August 2019 — “Exceptional SME Financial Service Bank for Financial Technology in Banking Industry for 2019 (銀行業金融科技2019年優秀小微金融服務銀行)” by Xinhua Net;
- August 2019 — “Exceptional Inclusive Financial Service Bank for Financial Technology in Banking Industry for 2019 (銀行業金融科技2019年優秀普惠金融服務銀行)” by Xinhua Net;
- August 2019 — “Top 500 Enterprises in Guangdong (廣東企業500強)” by Guangdong Provincial Federation of Enterprises and Guangdong Provincial Association of Entrepreneurs;
- February 2019 — Ranked 6th among urban and rural commercial banks in “Gyroscope” Evaluation System for 2018 (2018年“陀螺”評價體系之城區農商行第六名)” released by China Banking Association;
- February 2019 — “Outstanding Contribution to Poverty Alleviation for 2016-2018 (2016-2018年脫貧攻堅突出貢獻集體)” awarded by Guangdong Poverty Alleviation and Development Steering Committee;
- January 2019 — “Outstanding Performance in Mobile Payment (移動支付突出貢獻獎)” awarded by China UnionPay;
- January 2019 — “Top 300 Dealers in Interbank Money Market for 2018 (2018年度銀行間本幣市場交易300強)” by the China Foreign Exchange Trade System & National Interbank Funding Center;
- December 2018 — “Four Major Achievements (四類成果)” in the Study of Risk Management of Information Technology Application in Banking Industry awarded by the Senior Steering Committee of Risk Management of Information Technology of Banking Industry;
- October 2018 — “Innovative Wealth Management Bank of the Year (年度創新財富管理銀行)” under the Ninth Golden Tripod Award by National Business Daily;
- June 2018 — “Ten Best Bancassurance Providers of Guangdong (十優銀行保險業機構獎)” awarded by the Guangdong 100 Excellent Enterprises Selection Committee; and
- January 2018 — “Excellent Proprietary Institution (優秀自營機構獎)” by China Central Depository & Clearing Co., Ltd.

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COMPETITION

The banking industry in China has become increasingly competitive. The principal competitive factors in the banking industry include asset quality, product portfolio and prices, risk management, reach of distribution network and customer base, brand recognition and scope, service quality and information technology capabilities. We compete primarily with other financial institutions operating in Dongguan, including state-owned commercial banks, joint-stock commercial banks, city commercial banks and other rural financial institutions, which directly compete with us for customers, and deposits and loans. With the rapid development of capital markets in the PRC, we also face competition from non-banking financial institutions. For instance, micro-lending companies compete with us in respect of SME finance. In addition, internet financing companies are among our competitors. As compared to us, numerous competitors have advantages in one or multiple factors such as capital strength, number of national-level outlets and concentration of fiscal deposits from governmental entities.

In response to the increasingly intense competition and complicated development of the PRC and local banking industry, we are dedicated to solidify our current advantage of network coverage and customer base. For instance, we plan to leverage our recognition among the Village Groups and SMEs to develop our industrial finance, retail banking, SME finance, interbank finance and digital finance, further diversify our products and services, enlarge our customer base and enhance their loyalty, improve our information technology infrastructure and reinforce our leading position among commercial banks in Dongguan.

EMPLOYEES

As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had 5,456, 5,550, 5,670 and 5,656 full-time employees, respectively. Most of our employees are based in Dongguan.

The following table sets forth the number of our full-time employees by function and department as of March 31, 2021.

| | As of March 31, 2021 | |
|--|-----------------------------|-------------------|
| | Number of employees | % of total |
| Corporate banking business | 685 | 12.1% |
| Retail banking business | 2,411 | 42.6% |
| Treasury business | 78 | 1.4% |
| Finance, accounting and operation | 956 | 16.9% |
| Risk management, internal control and legal compliance | 608 | 10.8% |
| Information technology | 245 | 4.3% |
| Administrative management | 466 | 8.2% |
| Others | 207 | 3.7% |
| Total | 5,656 | 100.0% |

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The following table sets forth the number of our full-time employees by age as of March 31, 2021.

| | As of March 31, 2021 | |
|---------------------|-----------------------------|-------------------|
| | Number of employees | % of total |
| Aged below 30 | 1,439 | 25.4% |
| Aged 31- 40 | 2,465 | 43.6% |
| Aged 41-50 | 1,363 | 24.1% |
| Aged over 50 | 389 | 6.9% |
| Total | 5,656 | 100.0% |

The following table sets forth the total number of our full-time employees by education level as of March 31, 2021.

| | As of March 31, 2021 | |
|---------------------------------|-----------------------------|-------------------|
| | Number of employees | % of total |
| Master's degree and above | 219 | 3.9% |
| Bachelor's degree | 4,611 | 81.5% |
| Associate degree or below | 826 | 14.6% |
| Total | 5,656 | 100.0% |

We have established comprehensive training system to provide differentiated training for employees at various levels and positions. We offer senior and mid-level management annual training in a term of one or two weeks in cooperation with reputable universities in China. In addition, we provide annual training by departments to exceptional employees. We also allocate specific funds for professional training.

In compliance with the PRC laws and regulations, we contribute to our employees' social security and other benefits program including pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances and corporate annuity.

We have a labor union established in accordance with PRC laws and regulations and the instructions from GDRC, which represents the interests of our employees and works closely with our management on labor-related issues. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strikes or other material labor disputes that affect our operations.

Apart from full-time employees, we had 465 dispatched workers employed by third-party labor dispatching agencies as of March 31, 2021. These dispatched workers are not our employees and generally do not hold key positions. We have not entered into any labor contracts with these dispatched workers. Instead, they have entered into labor contracts with third-party labor dispatching agencies. Therefore, we are not obliged to contribute social security funds for them according to the laws. However, in accordance with the employment agreements between us and the third-party agencies, we shall make payment for salaries, social security funds and other fees for such dispatched workers to the agencies, and the third-party agencies shall pay the salaries to the dispatched workers and contribute to the social security funds to relevant government authorities on behalf of the workers.

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PROPERTIES

We are headquartered at No.2, East Hongfu Road, Dongcheng District, Dongguan, Guangdong Province, the PRC. As of the Latest Practicable Date, we owned 780 properties in the PRC with an aggregate GFA of approximately 654,083.9 sq.m. We also had 28 parcels of land in the PRC with an aggregate site area of approximately 198,604.5 sq.m. As of the Latest Practicable Date, we leased 687 properties in the PRC with an aggregate GFA of approximately 253,570.3 sq.m.

Self-Owned Properties

As of the Latest Practicable Date, we owned 780 properties with an aggregate GFA of approximately 654,083.9 sq.m. Such properties were primarily used for our business and operation, including:

- (i) 362 properties with an aggregate GFA of approximately 372,269.9 sq.m (accounting for 56.91% of the aggregate GFA of our self-owned properties), which we had obtained the building ownership certificates and state-owned land use right certificates for the land occupied by these properties through grant, and the building ownership certificate and the state-owned land use right certificate were registered under our name.

As advised by our PRC Legal Advisor, we have legitimate ownership of such properties and the land use right for the land occupied by such properties, and we are entitled to occupy, use, transfer, lease, create a mortgage on or by other means dispose of such properties according to applicable laws.

- (ii) For the two properties with an aggregate GFA of 14,379.8 sq.m (accounting for 2.20% of the aggregate GFA of our self-owned properties), we had obtained the building ownership certificates and state-owned land use right certificates for the land occupied by these properties through grant. The building ownership certificates and/or the state-owned land use right certificate have not been registered under our name due to historical reasons. As of the Latest Practicable Date, we are actively negotiating with the competent authority for the alteration of name.

As advised by our PRC Legal Advisor, (a) for one of the two properties, we have obtained the building ownership certificate, and the building ownership certificate was registered under our name. Therefore, there are no material legal obstacles for us to occupy or use such property. However, the transfer, lease, mortgage and other means of disposal of the property are subject to restrictions until the completion of the registration of the change of ownership under the land use right certificate; (b) for the other property of such two properties, the occupation, use, transfer, lease, mortgage or other means of disposal of such property are subject to restrictions until the completion of the name alteration of building ownership certificate and land use right certificate.

- (iii) For the 203 properties with an aggregate GFA of 141,203.2 sq.m (accounting for 21.59% of the aggregate GFA of our self-owned properties), we had obtained the building ownership certificates and the state-owned land use right certificates for the land occupied by such properties through allocation. The building ownership certificates and/or the state-owned land use right certificate of the 63 properties have not been registered under our name due to historical reasons. As of the Latest Practicable Date, we are actively negotiating with the competent authority for the alteration of name.

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As advised by our PRC Legal Advisor, (a) in respect of 137 properties of the 203 properties, we have received the confirmation letters from the relevant governmental authority, which confirmed that there are no legal obstacles for us to occupy or use such properties. However, the transfer, lease and mortgage or other means of disposal of the properties on the allocated land are subject to restrictions until we have completed the alteration of name (if applicable) and acquired the land use right of the land on which the properties are erected through grant in accordance with the applicable laws; (b) in respect of the remaining 66 properties of the 203 properties, we may occupy, use, transfer, lease and mortgage or dispose the properties through other means after we have completed the alteration of name (if applicable) and acquired the land use right of the land on which the properties are erected through grant in accordance with the applicable laws.

- (iv) For the four properties with an aggregate GFA of 2,004.6 sq.m (accounting for 0.31% of the aggregate GFA of our self-owned properties), we have obtained the building ownership certificates and land use right certificates of the collectively-owned lands. The building ownership certificates and/or the collectively-owned land use right certificate of three of the properties have not been registered under our name for historical reasons. As of the Latest Practicable Date, we are actively negotiating with the competent authority for the alteration of name.

As advised by our PRC Legal Advisor, (a) for one of the four properties, we have obtained the building ownership certificate and land use right certificate, and both certificates were registered under our name. There are no legal obstacles for us to occupy or use the property; (b) for the remaining three properties of the four properties, the occupation, use, transfer, lease, mortgage or other means of disposal of the properties are subject to restrictions until completion of the name alteration of the building ownership certificates and collectively-owned land use right certificates.

- (v) For the 13 properties with an aggregate GFA of 9,934.4 sq.m (accounting for 1.52% of the aggregate GFA of our self-owned properties), we have obtained the building ownership certificate and land use right certificate, but the building ownership certificate and/or land use right certificate have not been registered under our name due to historical reasons. The land is unknown in nature. As of the Latest Practicable Date, we are actively negotiating with the competent authority for the name alteration and clarify the nature of the land.

As advised by our PRC Legal Advisor, the occupation, use, transfer, lease, mortgage or other means of disposal of the properties are subject to restrictions until the completion of the name alteration of building ownership certificates and land use right certificates and the acquisition of the land use right for the land through grant according to the applicable laws.

- (vi) For the 73 properties with an aggregate GFA of 35,357.5 sq.m (accounting for 5.41% of the aggregate GFA of our self-owned properties), we have obtained the building ownership certificate but not the land use right certificate of the land on which the properties are located due to historical reasons. As of the Latest Practicable Date, we are in the process of application for the land use right certificates of such properties.

As advised by our PRC Legal Advisor, (a) for two out of the 73 properties which are registered under the names of third parties, we have not completed the name alteration of the state-owned land use right

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certificates of the properties and obtained the state-owned land use right certificates of the properties due to historical reasons, and the occupation, use, transfer, lease, mortgage or other means of disposal of the properties are subject to restrictions; (b) for the remaining 71 properties, as we have obtained the relevant building ownership certificates which were registered under our or our predecessor's name, there are no material legal obstacles for us to occupy or use such properties. However, before obtaining the state-owned land use right certificates granted, we may not freely transfer, mortgage or otherwise dispose of such properties. In the event that the land on which those properties are situated is sold or disposed of by the land use right holders, our properties will also be sold or disposed of in conjunction with such land. In this case, we may lose the ownership of such properties, but we will be entitled to the proceeds from the sale or disposal. Having considered that such properties are located in different areas, the possibility of all or most of the land use right and properties being sold or disposed of simultaneously is low.

- (vii) For the 19 properties with an aggregate GFA of approximately 47,382.7 sq.m (accounting for 7.24% of the aggregate GFA of our self-owned properties), we had been granted the state-owned land use right certificates or collectively-owned construction land use right certificates but not the building ownership certificates due to historical reasons. Of which, two properties with an aggregate GFA of approximately 15,312.7 sq.m are situated on the land obtained through allocation, six properties with an aggregate GFA of approximately 8,485.1 sq.m are situated on collectively-owned land, and the state-owned land use certificate of nine properties with an aggregate GFA of approximately 6,668.1 sq.m does not record the nature of the land.

As advised by our PRC Legal Advisor, (a) for the two out of the 19 properties with GFA of approximately 16,916.9 sq.m situated on granted land, we may not legally occupy, use, transfer, lease, mortgage or by other means dispose of such properties until we have legally obtained the relevant building ownership certificate for such property; (b) for the two out of the 19 properties situated on the land obtained through allocation with an aggregate GFA of approximately 15,312.7 sq.m, we may not legally occupy, use, transfer, lease, mortgage or by other means dispose of such properties until we have legally obtained the relevant building ownership certificate for such properties and the land use right through grant; (c) for the six out of the 19 properties situated on the collectively-owned land with an aggregate GFA of approximately 8,485.1 sq.m, we may not legally occupy and use such properties until we have legally obtained the relevant building ownership certificate for such properties; and (d) for nine out of the 19 properties with an aggregate GFA of approximately 6,668.1 sq.m, we may not legally occupy, use, transfer, lease, mortgage or by other means dispose of such properties until we have legally obtained the relevant building ownership certificate for such properties and the land use right through grant.

- (viii) For the 104 properties with an aggregate GFA of approximately 31,551.9 sq.m (accounting for approximately 4.82% of the aggregate GFA of our self-owned properties), we have not yet obtained the relevant building ownership certificates for these properties or land use right certificates for the land occupied by such properties.

As advised by our PRC Legal Advisor, we may not legally occupy, use, transfer, lease, mortgage or by other means dispose of such properties and land until we have legally obtained the building ownership certificates for these properties and the land use right certificates for the land occupied by such properties through grant or lease.

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In Conclusion, as of the Latest Practicable Date, we are not aware of any disputes raised by any third parties on our occupation or use of the abovementioned properties. Furthermore, we are not aware of any applications for building ownership certificates of these properties from any third parties apart from us, and we have not been penalized by any governmental authorities for the use of the relevant properties.

In conclusion, as advised by our PRC Legal advisor, in the event that the above 418 properties with title defects are not or no longer available for use, we believe that we can promptly find other business premises in the vicinity and the relocation cost is relatively low when compared with our net asset value. Therefore, the abovementioned properties with defects will not materially and adversely affect our business operations and financial position.

Land Use Rights

As of the Latest Practicable Date, apart from owning the land use rights of the abovementioned buildings, we owned or occupied the land use rights of 28 parcels of land with an aggregate area of approximately 198,604.5 sq.m. The details are as follows:

1. We have the land use rights of 15 parcels of land with an aggregate area of 77,908.6 sq.m. We had obtained the land use right certificates for the land occupied through lease.

As advised by our PRC Legal Advisor, we have legitimate ownership of such land, and we are entitled to occupy, use, transfer, lease, create a mortgage on or by other means dispose of such land according to applicable laws. Among the 15 parcels of land, the construction works of eight parcels of land have not commenced for more than two years after the commencement date, in which: (i) the land use right certificates of three parcels of land were issued under the name of Zhanjiang RCB, our non wholly-owned subsidiary, for which the People's Government of Zhanjiang has issued confirmation, confirming that the formation of idle land of Zhanjiang RCB was due to historical reasons and that Zhanjiang RCB can continue to occupy and use the land and no fee for idling, recovery of the land or other penalty will be imposed; and (ii) the construction works of the remaining five parcels of land have not commenced for more than two years after the commencement date. In accordance with the requirements of the Measures on Disposal of Idle Lands (《閒置土地處置辦法》), the government at or above the county level may confiscate such land without compensation. As of March 31, 2021, the aggregate net book value of the land use rights of the five parcels of land is approximately RMB0.2 million, which is relatively low when compared with our net asset value. The above-mentioned risks have no material and adverse impact on our operation and financial position.

2. We have occupied 10 parcels of land with an aggregate area of 103,256.3 square meters and we have obtained the land use right certificates for these parcels of land.

As advised by our PRC Legal Advisor, (i) with respect to one parcel of land with an area of 24,469.7 square meters, we may legally occupy, use, transfer, mortgage or by other means dispose such land when we register the change of ownership; (ii) with respect to three parcels of collectively-owned land with an aggregate area of 73,510.0 square meters, we may legally occupy, use, transfer, lease, create a mortgage on or by other means dispose of such land when we obtain the land use right certificates

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through grant or lease upon change of the land into state-owned land; and (iii) with respect to six parcels of land with an aggregate area of 5,276.6 square meters, Zhanjiang RCB has applied for the grant of state-owned land. Furthermore, we confirm that as of the Latest Practicable Date, we did not use the aforementioned land due to land planning and other reasons. The defect of legal title of such land has no material and adverse impact on our operation and financial position.

3. We have occupied three parcels of land with an aggregate area of approximately 17,439.6 square meters which we have not received the land use right certificates and the nature of land is undetermined.

As advised by our PRC Legal Advisor, the net book value of such land use rights was nil as of the Latest Practicable Date. Furthermore, we confirm that as of the Latest Practicable Date, we had not developed such land. The defect of legal title of such land has no material and adverse impact on our operation and financial position.

In conclusion, as advised by our PRC Legal advisor, as for above-mentioned 13 parcels of lands with defects of land use rights, the net book value of such land use rights is relatively low when compared with our net asset value. Therefore, the defects of such land use rights will not materially and adversely affect our business operations and financial position.

Leased Properties

As of the Latest Practicable Date, we leased 687 properties with an aggregate GFA of approximately 253,570.3 square meters, which were primarily used for our business and office, among which:

1. For 145 properties with an aggregate GFA of approximately 59,797.7 square meters (accounting for approximately 23.58% of the aggregate GFA of our leased properties), the lessors had obtained the relevant building ownership certificates or consent letters from the owners to authorize the lessors to lease or sublease the specific properties.

As advised by our PRC Legal Advisor, these lease agreements are legal and valid as the lessors have the right to lease out the properties, and we have right to use the above-mentioned leased properties within the term of the lease contract.

2. For 542 properties with an aggregate GFA of approximately 193,772.6 square meters (accounting for approximately 76.42% of the aggregate GFA of our leased properties), the lessors had not obtained the relevant building ownership certificates or consent letters from the owners to authorize the lessors to lease or sublease the specific properties. For 444 properties with an aggregate GFA of approximately 160,895.9 square meters (accounting for approximately 63.45% of the aggregate GFA of our leased properties), the lessors have issued written undertakings stating that the lessors are entitled to lease such properties, and the lessors shall indemnify us if we suffer losses from the defective titles of such properties resulting in us not being able to use these properties.

As advised by our PRC Legal Advisor, if the lessors do not have the ownership of such properties or have not obtained the relevant documents from the owners of the properties to entitle them to sublease or authorize them to lease such properties, the leasing agreements may be deemed invalid. Our leasing of such properties may be affected, but we have the right to claim for indemnification by the lessors

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pursuant to their letters of undertaking under specific circumstances. As of the Latest Practicable Date, no third party has claimed the ownership of such properties. In addition, in the event that we are not able to continue to use such properties, we believe we will be able to find comparable properties which are legal to be leased out as alternatives in relevant areas, and such relocation will not have material adverse effect on our financial condition or our results of operations.

3. As of the Latest Practicable Date, we have entered into 687 lease agreements with third-parties. As of the Latest Practicable Date, two lease agreements have been filed application for registration with relevant housing administrative authorities (with an aggregate GFA of approximately 252.8 square meters, accounting for approximately 0.10% of the aggregate GFA of our leased properties). Pursuant to The Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) and relevant regulations, the leasing of property must be registered. However, according to the Civil Code of the People's Republic of China (《中華人民共和國民法典》), the failure of registration of lease will not affect the legal effectiveness of the lease agreements. We are entitled to use these properties in accordance with the relevant property leasing agreements. However, if we fail to complete the lease registration in accordance with the requirements of the housing administrative authorities, we may be ordered by relevant authorities to make rectification in prescribed period or, failure of which, subject to fines ranging from RMB1,000 to RMB10,000. As of the Latest Practicable Date, we had not been subject to administrative penalties by the relevant housing administrative authorities for non-registration of lease agreements. The lessors of 263 lease agreements of the aforementioned leased properties have signed written undertakings. These lessors have undertaken that, if we are subject to fines by the housing administrative authorities due to the failure of filing of leasing agreements, they are willing and able to compensate for our economic losses.

As advised by our PRC Legal Advisor, we can continue to use the properties without registration of the lease and our financial position and operation will not be materially and adversely affected.

4. As of the Latest Practicable Date, the lease agreements for one leased properties (with an aggregate GFA of approximately 546.0 square meters, accounting for approximately 0.22% of the aggregate GFA of our leased properties) out of aforementioned 687 leased properties have expired. We are handling relevant renewal procedures for these lease agreements. We would complete renewal procedures for above lease agreements as soon as possible. In the event that relocation is required, we believe we would be able to find comparable properties which are legal to be leased out as alternatives in relevant areas.

As advised by our PRC Legal Advisor, the fact that we are handling relevant renewal procedures for those expired lease agreements will not have material adverse effect on our financial condition and our business operations, nor will it have any substantial impact on the public offering.

In conclusion, as advised by our PRC Legal advisor, the lessors of 444 leased properties out of above-mentioned 542 leased properties with defects have undertaken that, in the event that any leased properties are not available for use, they will compensate us for any loss caused thereby. If the remaining 98 leased properties are not available for use and relocation of such properties is required, the relocation cost is relatively low when compared with our net asset value. Therefore, the above-mentioned leased properties with defects will not materially and adversely affect our business operations and financial position.

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Property Evaluation

As of the Latest Practicable Date, we had no single property interest with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by section 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

PERMITS, LICENSES AND QUALIFICATIONS

As of the Latest Practicable Date, we had obtained all the major approvals of all necessary and material licenses, approvals, permits and qualifications from relevant PRC authorities for our operations in China.

Intellectual Property Rights

We operate under the name “Dongguan Rural Commercial Bank (東莞農村商業銀行)”. As of the Latest Practicable Date, we owned 233 registered trademarks in the PRC and seven registered trademarks in Hong Kong. We are also the registered owner of the domain name, **www.drcbank.com**. Please see “Appendix VII — Statutory and General Information — 3. Further Information about Our Business.”

LEGAL AND REGULATORY MATTERS

Legal Proceedings

We may be involved in various claims, litigations and arbitrations in the ordinary course of business from time to time. As of the Latest Practicable Date, we are not subject to any contingent liability in connection with the pending legal proceedings as a plaintiff or applicant with a principal amount of claim of more than RMB10.0 million. As of the Latest Practicable Date, there was no pending legal proceeding with principal amount over RMB10.0 million in which we are subject to the risk of contingent liabilities as a defendant.

As of the Latest Practicable Date, we were involved as plaintiffs or applicants in 202 pending litigations and arbitrations which have the single claim amount of more than RMB10.0 million. We have the right to sue on the related assets. The total claim amount of such legal proceedings was RMB6,482.0 million. Most of the 202 cases are actions and arbitrations in respect of recovering loans.

We believe that, in accordance with our loan provision policy, after taking into account relevant factors, including the recoverability of loans, we have made sufficient provisions in respect of our pending legal proceedings as plaintiff or arbitration applicant. For details on post-loan management and review of loans, please see “Risk Management — Credit Risk Management — Credit Risk Management of Corporate Loans” and “Risk Management — Credit Risk Management — Credit Risk Management of Personal Loans”. As of the Latest Practicable Date, we, as plaintiff or applicant, anticipate that the outcome of any existing and pending legal or arbitral proceedings, individually or collectively, will not have a material and adverse effect on our business, financial condition and results of operations. Please also see “Risk Factors — Risks Relating to Our Business — We may be involved in legal and other disputes from time to time arising out of our operations”.

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As advised by our PRC Legal Advisor, since the total amount of disputes accounted for a relatively small percentage of our latest audited net assets and we were the plaintiff, such cases will not materially affect our operation. Based on the above factors, we believe that such litigations will not have a material and adverse effect on our business, financial condition, results of operations or prospects.

As of the Latest Practicable Date, we were not subject to any risk of contingent liabilities in any pending legal proceeding as defendants with underlying amount (principal) of more than RMB10.0 million.

Regulatory Inspections and Proceedings

We are subject to various regulatory requirements and guidelines promulgated by different PRC regulatory authorities, such as CBIRC, PBoC, NAO, SAT, SAMR, NDRC, SAFE and their respective local branches and offices. Inspections and examinations are carried out by such regulatory authorities regarding our compliance with the legal and regulatory requirements in relation to our business operations, risk management and internal control.

During the Track Record Period, we were in compliance with relevant regulatory requirements and guidelines relating to our business operations, risk management, tax compliance and internal controls in all material respects and there was no other regulatory inspection or proceedings that may cause material and adverse impact on our business operations or financial results.

Administrative Penalties

During the Track Record Period and as of the Latest Practicable Date, we had been subject to various administrative penalties imposed by the CBIRC, PBoC, SAMR, SAT and the agencies of other regulatory authorities, generally in the form of fines. There were 10 incidents which resulted in aggregate fines of RMB8.2 million, including, (i) one incident with aggregate fine of RMB2.4 million imposed on us due to inadequate management of related party transactions and failure to impose penalties for non-compliance such as failure to extend unified credit to group customers; (ii) four incidents with aggregate fine of RMB4.7 million imposed on Huizhou Zhongkai Dongying County Bank (惠州仲愷東盈村鎮銀行) due to improper deposits procurement, raising funds from companies through inter-bank channels and being unable to rectify for a long time, failure of risk control on related party transactions and other illegal acts; (iii) three incidents with aggregate fine of RMB0.2 million imposed on Hezhou Babu Dongying County Bank (賀州八步東盈村鎮銀行) due to failure to complete the tax declaration and submit the tax return for handicapped employment security fund in 2017 within the prescribed period; (iv) one incident with fine of RMB0.5 million imposed on us due to illegal acts such as failure to carry out verification by former Zhanjiang City Chikan District Rural Credit Cooperative Union* (湛江市赤坎區農村信用合作聯社), one of the constituting units of Zhanjiang RCB of identities of customers whose validity period of their identity cards were expired in accordance with applicable requirements; and (v) irregularity in the loan business of Chikan District Sub-branch (赤坎支行) and Economic and Technology Development District Sub-branch (經濟技術開發區支行) of Zhanjiang RCB in violation of requirement of prudent operation and was imposed fine of RMB0.5 million in total. We timely paid the fine in full and implemented remedial measures in respect of the above administrative penalties. None of our Directors or senior management was involved in the foregoing 10 administrative penalties during the Track Record Period.

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As these penalties, individually or in aggregate, did not result in material adverse effect on the operation of our Bank and the aggregate amount of fines imposed account for an insignificant percentage of the net assets in our latest audited financial statement, our PRC Legal Advisor is of the view that these penalties have no material adverse effect on our operation.

According to the inspection opinions and penalty decisions of CBIRC and its agencies, the Bank has adopted the following rectification measures: (i) revising relevant systems including Rules of Procedure of the Related Party Transaction Control Committee of the Board of Directors (董事會關聯交易控制委員會議事規則), Unified Credit Management Measures 《統一授信管理辦法》 and Implementation Rules for Related Party Transactions Management Measures 《關聯交易管理辦法實施細則》; (ii) strengthening the management of related businesses; (iii) intensifying pre-loan investigations, strengthening the management of centralized loan approval and treasury business; (iv) strengthening the management of shareholders' qualifications and the monitoring of equity pledge, and improving the evaluation of major shareholders; (v) improving the related party declaration, enhancing the identification capabilities of related party and optimizing the approval procedures of related party transactions; and (vi) strengthening the relevant information disclosure. As of the Latest Practicable Date, the Bank had completed the rectification.

We believe that we have taken appropriate measures to rectify the deficiencies identified and made improvements in our business operation, internal control and risk management.

Considering (i) the above non-compliance incidents have no material and adverse effect on our business, financial condition or results of operations; and (ii) we have adopted internal control measures and the rectification measures, our Directors believe that our internal control measures have not been found not to be effectively implemented in material respects. Therefore, our Directors are of the view that administrative penalties imposed on our Bank do not have any material adverse effect on our Bank's business, financial condition or results of operations.

During the Track Record Period and up to the date of this prospectus, our Bank, our branches, sub-branches or employees had not been subject to any administrative penalties due to fraud or dishonesty. As advised by our PRC Legal Advisor, during the Track Record Period and up to the date of this prospectus, the regulatory authorities did not issue any administrative penalties against us involving fraud or dishonesty on the part of our Bank, our branches, sub-branches or employees.

Findings of Regulatory Examinations

Regulatory authorities including CBIRC and PBoC conduct routine, typically on an annual or semi-annual basis and ad hoc inspections, on our compliance with the relevant PRC laws and regulations, guidelines and regulatory requirements. During the Track Record Period and as of the Latest Practicable Date, inspections of our head office, branches and sub-branches and subsidiaries conducted by regulatory authorities such as CBIRC and PBoC involved risk management, internal control, corporate governance, anti-money laundering and operations of various business lines.

Findings of the abovementioned inspections revealed certain deficiencies in our risk management, internal control and other areas. During the Track Record Period and up to the date of this submission, our Bank, our branches, sub-branches or employees had not been subject to any administrative penalties due to

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fraud or dishonesty. We have promptly adopted rectification measures in accordance with the inspection findings and recommendations from the relevant regulatory authorities and improved our risk management and internal control. In view of our Directors, there were no material deficiencies or systemic failures identified by the inspections during the Track Record Period and up to the Latest Practicable Date. Major findings of inspections and examinations are summarized as follows.

CBIRC

CBIRC Dongguan Office and other relevant local offices of CBIRC conduct regular and *ad hoc* inspections on our operations condition, including on-site inspections of our Head Office, branches and sub-branches and subsidiaries. Based on such inspections, the relevant local offices of CBIRC issued inspection opinions, specifying the findings and suggestions. Major issues and advices raised by the relevant local offices of CBIRC in their reports and major rectification measures taken by us during the Track Record Period and up to the Latest Practicable Date are set out as follows:

| Major issues and advices | Our major rectification measures | Date of rectification report |
|---|---|-------------------------------------|
| Corporate governance and internal control | | |
| <ul style="list-style-type: none"> • The corporate governance of our Bank requires improvement, including the strategic management system shall be further refined and the pledge of equity interest policies shall be managed in accordance with the Articles. The performance evaluation system shall also be improved | <ul style="list-style-type: none"> • Further improved the strategic management system by enhancing the management of strategies' continuity; specifying the implementation of strategic tasks and strengthened the decomposition of strategic goals • Enhanced approval procedures of the pledge of equity interests; strictly reviewed matters relating to the pledge of equity interest of our Bank; standardized reporting system of the pledge of equity interest • Revised our system in accordance with regulatory requirements; strengthened performance evaluation of compliance of laws and regulations; and improved the performance evaluation system, strengthened evaluation on lawful operation, improved rules on deferred payment of performance-based compensation, strengthened self-evaluation and supervision of the performance evaluation system | October 24, 2018 |
| <ul style="list-style-type: none"> • Various issues related to Yunfu Xinxing Dongying County Bank, including the non-compliance of alarm devices setting of ATMs and failure to sign the letter of responsibility and safety responsibility (《崗位職責及安全責任書》) by relevant department heads | <ul style="list-style-type: none"> • Training for security personnel on security and fire safety regulations • Installed relevant security devices as required • Procured the responsible personnel to sign the letter of responsibility • Held the responsible personnel accountable | March 19, 2019 |
| <ul style="list-style-type: none"> • The security management of our Bank shall be enhanced, including the theft-proof security doors, rolling gates, and the resolution of CCTV cameras shall be up to the standards required. Additional | <ul style="list-style-type: none"> • Improved security facilities by changing equipments that failed to comply with standards, such as security doors and CCTV cameras • Improved night shift arrangements of the control centre | December 12, 2019 |

| Major issues and advices | Our major rectification measures | Date of rectification report |
|--|--|------------------------------|
| <p>night shift security guards shall be deployed to the control centre</p> <ul style="list-style-type: none"> The internal system and compliance management of the Bank should be enhanced, in particular some officers should be reminded of the importance of compliance. The reputation risk management should be enhanced. The management of subsidiaries and investees should be improved through deployment of sufficient staff | <ul style="list-style-type: none"> Revision or formulation of systems and remedial plans, including the “Regulation of Stress Test” and “Measures of Compliance, Risk Prevention and Anti-money Laundry of 2021” Enhanced supervision of the implementation of systems, awareness of compliance, regular training on compliance and risk prevention to improve the awareness of compliance of staff Established the Asset and Liabilities Management Department with professional staff to strengthen the management of the operation of subsidiaries. An exchange training program was established | <p>July 5, 2021</p> |
| <ul style="list-style-type: none"> Optimization of the data reporting quality | <ul style="list-style-type: none"> Examination of data and information and respond to enquiries promptly. Training is provided to understand the purpose of financial reporting so as to improve the quality of financial reports | <p>July 5, 2021</p> |
| <ul style="list-style-type: none"> Insufficient system establishment and internal control execution, inadequate shareholding management and related transaction management, inadequate management of centralized loan approval business of group customers and bill acceptance business of the Bank, and violation of prudent operation principle for wealth management and interbank businesses | <ul style="list-style-type: none"> Revised Rules of Procedure of the Related Party Transaction Control Committee of the Board of Directors (《董事會關聯交易控制委員會議事規則》) and Unified Credit Management Measures (《統一授信管理辦法》) and improved the system establishment Strengthened the business of repurchase of the pledge of equity interest and unified credit management Intensified pre-loan investigations, and strengthened unified credit management and treasury business Strengthened the monitoring of loan collateral Improved the evaluation of the qualification of major shareholders Strengthened standards of review of related transactions Improved and optimized the related party declaration and approval process Strengthened the information disclosure of substantial shareholders and related party transactions | <p>December 10, 2020</p> |

| Major issues and advices | Our major rectification measures | Date of rectification report |
|--|--|--|
| <p>Internal inspections</p> <ul style="list-style-type: none"> Various issues related to Yunfu Xinxing Dongying County Bank, including insufficient scope and depth of internal inspection resulting in inadequate findings, ineffective and untimely rectification measures and inadequate accountability system | <ul style="list-style-type: none"> Conducted further internal inspections Carried out routine and targeted examinations and audit Strengthened rectification efforts Strictly implemented accountability system and imposed strict disciplinary measures on those liable for violations Strengthened compliance construction and comprehensive employee education | <p>August 30, 2018</p> |
| <p>Operational risk management</p> <ul style="list-style-type: none"> The system of county banks of our Bank shall be improved in the following areas, low supervisory rating, relatively high credit risk and concentration risk, and insufficient motivation for sustainable development The deficiency index of the liquidity of Dongguan Dalang Dongying County Bank was below the regulatory requirement | <ul style="list-style-type: none"> Continued to standardize the construction of the county banks systems Carried out the consolidation and upgrading of supervisory rating work, consolidated the foundation of operation and management Assigned risk management personnel to county banks to guide the establishment of risk management system Strengthened loan collection and disposal work Upholding the market position of supporting agriculture and SMEs, improved the brand management of county banks Strengthened the cost management and control capabilities of county banks Efforts were made to increase deposits of medium and long terms and enhance management of the maturity of interbank deposits and interbank assets, and to optimize the loan portfolio by reasonably adjusting the provision of short term loans | <p>June 9, 2020</p> <p>July 14, 2021</p> |
| <p>Employee management</p> <ul style="list-style-type: none"> Irregular credit and trading activities of certain employees' accounts of the Bank, and dealing of cash flow of businesses operated by family members in the accounts of the relevant employees | <ul style="list-style-type: none"> Loans to customers guaranteed by certain employees were subsequently settled without any non-compliance in respect of guarantee and credit extension, reprimanded the employees and discontinued the practice Reprimanded and conducted a written review on employees with abnormal account transactions and ordered such employees to rectify the non-compliance within a prescribed period | <p>March 20, 2018</p> |

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| Major issues and advices | Our major rectification measures | Date of rectification report |
|---|---|------------------------------|
| <ul style="list-style-type: none"> Various issues related to Yunfu Xinxing Dongying County Bank, including issues related to the implementation of the rotation system of key positions, term of management authorization and the use of the corporate seal | <ul style="list-style-type: none"> Strengthened the implementation of the rotation system of key positions Revised the form of the power of attorney and completing relevant details Strengthened the implementation of the administration measures for the use of the corporate seal and conducting regular inspections | May 24, 2018 |
| <p>Business management</p> <ul style="list-style-type: none"> Various issues related to Yunfu Xinxing Dongying County Bank, including failure to meet certain profitability indicators such as asset profitability ratio, capital profitability ratio and inaccuracy of reported data Various issues related to Yunfu Xinxing Dongying County Bank, including non-compliance of concentration requirements regarding risk exposure of non-interbank group customers and economically dependent customers and decline in credit asset quality Some regulatory indices, including profit capital ratio, profit asset ratio and cost revenue ratio, of Chaoyang RCB recorded significant changes | <ul style="list-style-type: none"> Increased the efforts to improve deposit procurement and liquidity indicators; consolidating the foundation of loans to curb the increase of non-performing loans; optimizing the pricing system of interest rates Enhanced trainings for related employees with trainings on relevant financial statistical system and know-how of standard counter services Restated data and implementing a reviewing and monitoring system on data reporting to prevent data misstatement Conducted post-disbursement inspection to prevent operational risk Guided customers to early repay loans in parts to gradually collect loans Expanded household saving deposits and continuously optimized loan structure Strengthened the monitoring and collection of overdue loans Accelerated disposal of non-performing loans to effectively mitigate risks Strengthened the on-going monitoring of regulatory indices and promptly implemented measures to improve the efficiency of working capital so as to increase gain of capital and to reduce the cost of deposits Enhanced the management of the written-off, settlement and collection of loans Enhanced financial audit to control expenses | June 22, 2018 |
| <ul style="list-style-type: none"> Various issues related to Yunfu Xinxing Dongying County Bank, including non-compliance of concentration requirements regarding risk exposure of non-interbank group customers and economically dependent customers and decline in credit asset quality | <ul style="list-style-type: none"> Conducted post-disbursement inspection to prevent operational risk Guided customers to early repay loans in parts to gradually collect loans Expanded household saving deposits and continuously optimized loan structure Strengthened the monitoring and collection of overdue loans Accelerated disposal of non-performing loans to effectively mitigate risks | May 30, 2020 |
| <ul style="list-style-type: none"> Some regulatory indices, including profit capital ratio, profit asset ratio and cost revenue ratio, of Chaoyang RCB recorded significant changes | <ul style="list-style-type: none"> Strengthened the on-going monitoring of regulatory indices and promptly implemented measures to improve the efficiency of working capital so as to increase gain of capital and to reduce the cost of deposits Enhanced the management of the written-off, settlement and collection of loans Enhanced financial audit to control expenses | March 26, 2021 |

| <u>Major issues and advices</u> | <u>Our major rectification measures</u> | <u>Date of rectification report</u> |
|--|---|-------------------------------------|
| <ul style="list-style-type: none"> Some customers of Zhanjiang RCB failed to use the loans pursuant to the designated purposes | <ul style="list-style-type: none"> Carried out early recovery of the credit facilities that were in violation of regulations Held relevant personnel accountable Established monitoring and early warning measures for the use of loans Improved the consumption loan system and established a loan undertaking mechanism | August 4, 2021 |
| <p>Interbank business</p> | <ul style="list-style-type: none"> Inadequate management of insurance agency business of the Bank, such as non-standard promotion materials, irregular promotions by certain sales personnel, inadequate management system, and ineffective management of the dual record system | January 7, 2020 |
| <p>IT management</p> | <ul style="list-style-type: none"> The Bank should strengthen the management of IT system. In respect of the monitoring of IT system risk, no risk indicators were determined for some critical IT infrastructure. The operation system of some ATMs was not updated in time Inadequate management of the information system and information security risk and inefficient management of business continuity of our Bank in response to emergencies | April 27, 2021 |
| <ul style="list-style-type: none"> The Bank should strengthen the management of IT system. In respect of the monitoring of IT system risk, no risk indicators were determined for some critical IT infrastructure Introduction of the schedule of ATM updates to facilitate the updates and replacement of ATMs The functions of the IT system were enhanced for better security control Establishment of on-site back-ups for major operation systems; rehearsing of system restoration after the occurrence of disasters; establishment of remote back-ups; and provide refresher trainings to personnel dealing with contingent incidents | | November 30, 2018 |

| Major issues and advices | Our major rectification measures | Date of rectification report |
|---|--|------------------------------|
| <ul style="list-style-type: none"> Fault of the online banking business as a result of the technical failure of online banking database of the Bank | <ul style="list-style-type: none"> Analyzed the cause of the failure, carried out investigation and rectification of important information systems Improved emergency plans and the ability to resolve failures efficiently Improved business continuity management system, such as Measures on Business Continuity Management of Dongguan Rural Commercial Bank Co., Ltd. (《東莞農村商業銀行股份有限公司業務連續性管理辦法》), and clarified the responsibilities of relevant departments Increased resource input and enhanced business continuity guarantee | December 14, 2020 |
| <p>Information disclosure</p> | | |
| <ul style="list-style-type: none"> Failure of the Board of Supervisors of Yunfu Xinxing Dongying County Bank to provide written review opinions on 2017 information report | <ul style="list-style-type: none"> Studied the regulatory documents and actively implement rectification measures Strictly implemented the responsibility of identification and investigation | July 6, 2018 |
| <ul style="list-style-type: none"> Zhanjiang RCB failed to submit its reports to the regulatory authorities. | <ul style="list-style-type: none"> Reports of information about some branches of the cooperative before reorganization, the appointment of chairman of the board of supervisors and the temporary suspension of offices for renovation were submitted to the regulatory authorities | May 10, 2021 |

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During the Track Record Period, our Bank has met all the key regulatory indicators. As of the Latest Practicable Date, while the regulatory indicators in relation to cost-to-income ratio and centralization of credit approval for customers of Chaoyang RCB and Yunfu Xinxing Dongying County Bank continued to improve, our Bank had completed relevant rectifications measures and we timely submitted rectification reports in relation to the implementation of regulatory recommendations included in the inspection reports issued by the local offices of the CBIRC and its branches. The relevant local offices of CBIRC had not issued further rectification requirements to our Bank on our rectification measures adopted in accordance with the regulatory opinions, and we had not received any request for additional rectification measures or notice of penalty. Based on the above findings from the inspections of relevant local offices of CBIRC, we believe that there are no material deficiencies in our business operations, corporate governance, internal controls or risk management, and we also believe that such findings do not have any material and adverse effect on our business, financial condition or results of operations.

PBoC

The local branches of PBoC conduct regular and *ad hoc* inspections on us, including onsite inspections of our Head Office, branches and sub-branches and subsidiaries. Based on such inspections, the local branches of PBoC have issued inspection reports containing their findings and suggestions.

During the Track Record Period and as of the Latest Practicable Date, the local branches of PBoC conducted various inspections on us. The key issues and major advices issued based on the inspections and our major rectification measures are set out as follows:

| Major issues and advices | Our major rectification measures | Date of rectification report |
|---|---|-------------------------------------|
| <ul style="list-style-type: none"> • Non-compliance by a customer of the Bank, being a special customer and an outsourced service agency, with the regulatory requirement in respect of the strict management of outsourced service agencies and prohibition of outsourced service agencies from joining the network in the name of merchant • Insufficient financial data statistics work of Yunfu Xinxing Dongying County Bank, such as the statistics of loans by industry, statistics of loans to large, medium, small and micro businesses and statistics of agriculture-related loans | <ul style="list-style-type: none"> • Promptly suspended and terminated the transactional functions of the terminals used by outsourced service agencies in the relevant system, and reprocessed all terminal equipment • Strengthened training to enhance compliance awareness • Organized training session to improve business skills • Conducted risk inspection in accordance with relevant system requirements • Further enhanced the management of the procurement of outsourced services • Corrected errors in statistics, and enhanced data management | <p>March 15, 2018</p> |
| <p>Credit information management</p> | | |
| <ul style="list-style-type: none"> • Various issues related to Yunfu Xinxing Dongying County Bank, including inadequate internal supervision and management of decision-making for credit inspection, failure to conduct internal and external audit on credit inspection business activities, non-standard template for letter of authorization in relation to the development of internal control of credit inspection, insufficient objection handling system; inadequate guidelines for handling contingency in respect of credit inspection, failure to complete internal approval procedures when granting new authorization for objection to users in respect of user management of credit inspection, lack of options for choosing | <ul style="list-style-type: none"> • Implemented internal policy that mandates internal audit department to perform internal audits on credit inspection a periodic basis • Amended the Financial Credit Information Basic Database Access and Data Submission Authorization (《金融信用信息基礎數據庫查詢、報送授權書》); adopted standardized form of power of attorney for all existing credit files on September 13, 2018; and set up emergency response team for credit information security • Revised the Implementation Rules for Basic Database Management of Personal Credit Information (《個人信用信息基礎數據庫管理實施細則》) to rectify the internal examination and approval conditions on rejecting users • Revised the template of the power of attorney providing specific checkboxes in the future business process; held internal credit compliance training meetings to re-emphasize that correct purpose must be applied strictly based on business types of customers when a request for access of credit report is made | <p>September 21, 2018</p> |

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| Major issues and advices | Our major rectification measures | Date of rectification report |
|--|--|------------------------------|
| <p>access purpose in the letter of access authorization in respect of the compliance operation of credit inspection business and wrong selection of reasons for certain accesses</p> <ul style="list-style-type: none"> • Inadequate and incomplete credit data submission, credit personnel and user management, access authorization and other business regulations of Hezhou Babu Dongying County Bank | <ul style="list-style-type: none"> • Implemented the rectification measures • Clarified responsibility, strengthened accountability, and held responsible personnel accountable • Reformed existing credit information system • Strengthened the training of all business personnel in respect of credit information operations • Accelerated the construction of the second generation credit information system; and • Strengthened audit management and carrying out regular business inspections | <p>April 29, 2019</p> |
| <p>Payment and settlement</p> <ul style="list-style-type: none"> • Failing to promptly make account reconciliation between our Bank and corporate customers, and failing to file cancellation of bank settlement accounts within 2 working days with the Renminbi Bank Settlement Account Management System by Yunfu Xinxing Dongying County Bank | <ul style="list-style-type: none"> • Assigned specific personnel to follow up the rectification and reminding customers to verify their accounts every month • Conducted training sessions on Administrative Measures for Renminbi Bank Settlement Accounts Management (《人民幣銀行結算賬戶管理辦法》) | <p>October 10, 2018</p> |
| <ul style="list-style-type: none"> • Non-compliance of Hezhou Babu Dongying County Bank with regulations in relation to an internal deposit account opened in the name of a company, and failure to handle settlement business before prescribed deadline | <ul style="list-style-type: none"> • Cancelled the relevant internal accounts • Strengthened training on relevant payment and settlement system | <p>March 3, 2018</p> |
| <p>Business management</p> <ul style="list-style-type: none"> • Various issues related to Dongguan Dalang Dongying County Bank, including incomplete contents for announcements in the business places and non-compliance with regulation for cash storage at counters | <ul style="list-style-type: none"> • Strengthened the promotion of RMB receipt and payment and anti-counterfeit money procedures • Enhanced staff training to improve their business knowledge | <p>February 27, 2019</p> |

| <u>Major issues and advices</u> | <u>Our major rectification measures</u> | <u>Date of rectification report</u> |
|---|---|-------------------------------------|
| <ul style="list-style-type: none"> Irregular storage of accounts information files by Dongguan Dalang Dongying County Bank | <ul style="list-style-type: none"> Required all outlets to keep copies of the customers' ID cards, print and file the "Certificate of Online Verification Result (聯網核查結果證明)" to ensure the integrity of accounts information during the verification of the customers' identifications, especially when conducting online verification of ID cards for services such as accounts opening | October 23, 2018 |
| <ul style="list-style-type: none"> Inadequate regulations on poverty alleviation re-finance file management, insufficient ledger management of poverty alleviation re-finance, and failure to release poverty alleviation loan within 1 month from the receipt of poverty alleviation re-finance funds by Hezhou Babu Dongying County Bank | <ul style="list-style-type: none"> Standardized the file management procedures Strengthened counter ledger management formulated and strictly implemented loan release plans Strengthened relevant training | April 28, 2018 |
| <ul style="list-style-type: none"> The existing accounts investigation of Hezhou Babu Dongying County Bank needed to be strengthened, and the classification management and control measures were not adequate | <ul style="list-style-type: none"> Completed the comprehensive risk investigation of the existing personal accounts in different places Improved classification management and control system | December 31, 2020 |
| <ul style="list-style-type: none"> Various issues related to Hezhou Babu Dongying County Bank, including incorrect calculation of credit risk-weighted assets on the balance sheet, inaccurate statistics on credit risk-weighted assets on the balance sheet, and inaccurate reporting of deposits | <ul style="list-style-type: none"> Standardized the loan statistics basis Learned to fill in the instructions carefully to improve the accuracy of data statistics Refilled data and maintain consistency | September 10, 2020 |

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As of the Latest Practicable Date, we had completed relevant rectification measures, the relevant local branches of PBoC had not issued further rectification requirements to our Bank on our rectification measures adopted according to the regulatory opinions, and we had not received any request for additional rectification measures or notice of penalty. Based on the above findings from the inspections of relevant local branches of PBoC, we believe that such findings do not have any material and adverse impact on our business, financial condition or results of operations.

NAO

NAO and its relevant local offices conduct regular and *ad hoc* inspections on our operational condition, including on-site inspections of our head office and subsidiaries. Based on such inspections, relevant local offices of NAO issued inspection reports specifying their findings and suggestions. The following table sets forth the major issues identified by the relevant local offices of NAO and our major rectification measures during the Track Record Period and as of the Latest Practicable Date:

| <u>Major issues and advices</u> | <u>Our major rectification measures</u> | <u>Date of rectification report</u> |
|--|--|-------------------------------------|
| Corporate governance risks and business risks related to asset and liability quality of our Bank | <ul style="list-style-type: none">• Actively liaised with relevant clients to complete works on the release of pledge; strengthened the information collection of equity pledge and implemented the quarterly target for equity pledge inquiries; improved the organizational structure of shareholder equity management• Improved standardization of loan approval to group customers; carried out internal inspections on existing customers and on-balance and off-balance sheet credit business; training on relevant guidelines for credit extensions and risk management, and revised our own approval systems and procedures; established a standardized credit management system to regulate the management and, standardized and clarified classification standard of agriculture-related loans; and carried out business training for relevant business departments to standardize operations and prevent risks | July 5, 2018 |

As of the Latest Practicable Date, the relevant local offices of NAO had not issued further rectification requirements to our Bank on our rectification measures based on the previous supervisory opinions, and we did not receive any notice requiring us to take further actions or receive penalties. We are of the view that, in accordance with the above inspection performed by the local offices of NAO, the above inspection results did not have any material and adverse effect on our business, financial position or results of operations.

BUSINESS

Non-compliance of Employees

We continuously monitor the non-compliance of our employees, customers and other third parties. The non-compliance we monitor includes but not limited to improper use of invoice and reimbursement of personal expenses; insufficient investigation of the assets and risk management policy and procedures of debt securities, fund investments and rights to earnings on credit assets before investment. Such non-compliance of our employees are isolated cases, and were primarily due to inadequate learning and understanding of our internal policies. We further enhance our internal control and risk management when we identify any irregularities. For details of our internal control and risk management, please see section “Risk Management”. During the Track Record Period and as of the Latest Practicable Date, none of our Directors and senior management were involved in the above non-compliance events. Considering the nature of and reason for the above-mentioned non-compliance of our employees, we believe that any non-compliance events, individually or collectively, did not have any significant adverse effects on our business, financial conditions or operating results. We believe that the financial loss and other unfavorable results of such non-compliance events, individually or collectively, did not have any significant adverse effects on our business, financial conditions or operating results. We will continue to enhance our internal control and risk management to prevent the reoccurrence of similar non-compliance events.

During the Track Record Period and as of the Latest Practicable Date, we were not aware of any material non-compliance events involving our employees which might have material adverse effects on our business, financial conditions or operating results.

Compliance with Major Guidelines

We have been in compliance with the relevant regulations and guidelines on business operation, risk management, taxation and internal control. During the Track Record Period and as of the Latest Practicable Date, we have not been imposed of any material penalties according to the Major Guidelines on Risk Management of Commercial Banks (Provisional) (商業銀行風險監管核心指標 (試行)) issued by the CBRC due to the non-compliance of various regulatory ratio during regulatory investigation and survey.

Anti-money Laundering

During the Track Record Period and as of the Latest Practicable Date, we had not been found or involved in any major money laundering. Please see “Risk Management — Anti-money laundering”.