
CONNECTED TRANSACTIONS

OVERVIEW

Upon Listing, transactions that our Group have entered into with our connected persons will constitute connected transactions of our Bank under Chapter 14A of the Listing Rules. We expect that such transactions will continue following the Listing and constitute fully exempt continuing connected transactions of our Bank. In addition, we have entered into certain transactions with our connected persons prior to the Listing which subsist after the Listing and would have constituted connected transactions of our Bank should such transactions were entered into after the Listing.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Commercial Banking Services and Products

Our Group consists of commercial banks incorporated in the PRC which are regulated by PBoC and the CBIRC. We provide commercial banking services and products in our ordinary and usual course of business to customers, which include our connected persons, such as our Directors, Supervisors and their respective associates. Set forth below are details of the continuing connected transactions between our Group and our connected persons:

Provision of loans and other credit facilities to connected persons

We extend loans and credit facilities (including the credit limits offered under the credit cards issued by our Group) in the ordinary and usual course of our business to certain of our connected persons on normal commercial terms (or commercial terms that are better to us) with reference to the prevailing market interest rates. We expect that we will continue to provide loans and credit facilities to our connected persons from time to time after the Listing, which will constitute continuing connected transactions of our Bank under Chapter 14A of the Listing Rules.

As such loans and credit facilities provided or to be provided by us to our connected persons are in the ordinary and usual course of our business and on normal commercial terms (or commercial terms that are better to us), these transactions are fully exempted from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements pursuant to Rule 14A.87(1) of the Listing Rules.

Deposits by connected persons

We take deposits from certain of our connected persons in the ordinary and usual course of our business on normal commercial terms (or commercial terms that are better to us) with reference to the prevailing market interest rates. We expect that our connected persons will continue to place deposits with us from time to time after the Listing, which will constitute continuing connected transactions of our Bank under Chapter 14A of the Listing Rules.

As such deposits placed or to be placed by our connected persons are on normal commercial terms (or commercial terms that are better to us) and not secured by our assets, these transactions are fully exempted from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements pursuant to Rule 14A.90 of the Listing Rules.

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Other banking services and products

We also provide various commercial banking services and products, such as settlement services and wealth management products, to certain of our connected persons at normal fee. We expect that we will continue to provide such banking services and products to our connected persons from time to time following the Listing, which will constitute continuing connected transactions of our Bank under Chapter 14A of the Listing Rules.

As the provision of banking services and products to our connected persons are on normal commercial terms (or commercial terms that are better to us) and the highest applicable percentage ratio of such transactions, aggregate on an annual basis, are expected to be less than 0.1%, these transactions are fully exempted from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements pursuant to Rule 14A.76(1) of the Listing Rules.

SUBSISTING TRANSACTIONS ENTERED INTO BEFORE THE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

A. Acquisition of our made-to-order Data Center and Research and Development Center

On December 6, 2019, our Bank entered into a property made-to-order agreement (the “**Made-to-order Agreement**”) with Guangdong Hongyuan Group Industry Development Co., Ltd.* (廣東宏遠集團產業發展有限公司) (“**Hongyuan Industry**”) for the acquisition of first to sixteenth floors of R&D Building No.3 in Hongyuan International Artificial Intelligence (AI) Industry Center Phase I located on the south side of Kechuang Road in Nancheng District, Dongguan (the “**Property**”) constructed in accordance with the customization requests of our Bank.

Listing Rules Implication

As at the Latest Practicable Date, Hongyuan Industry is indirectly owned as to 50% by Guangdong Hongyuan Group Co., Ltd.* (廣東宏遠集團有限公司), which in turn is owned as to 30% by Mr. Chen Haitao, our non-executive Director and holder of approximately 0.00610% of our Domestic Shares, and 39% in aggregate by two brothers of Mr. Chen Haitao.

Accordingly, Hongyuan Industry is a connected person of our Bank and, if the Made-to-order Agreement was entered into after the Listing, the entering into of the Made-to-order Agreement and the transactions contemplated thereunder would have constituted connected transaction of our Bank under Chapter 14A of the Listing Rules and, as the highest applicable percentage ratio of the Made-to-order Agreement is more than 0.1% but less than 5%, the Made-to-order Agreement would be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

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Principal Terms

The principal terms of the Made-to-order Agreement are as follows:

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| Date of agreement | • December 6, 2019 |
| Parties | • Hongyuan Industry
• Our Bank |
| Subject matter | • Hongyuan Industry shall construct the Property based on the construction plan prepared by Hongyuan Industry pursuant to the customization requests of our Bank and shall deliver the Property to our Bank upon completion of the construction. |
| Consideration | • Approximately RMB478.8 million |
| Payment schedule | • The consideration shall be paid in accordance with the following schedule: |

	<u>Amount payable</u>	<u>Percentage of total consideration¹</u>	<u>Aggregate percentage of total consideration¹</u>
	<i>RMB' 000</i>	<i>%</i>	<i>%</i>
within 15 business days upon signing of the Made-to-order Agreement	143,640	30.0	30.0
within 15 business days upon obtaining the construction permit	23,940	5.0	35.0
within 15 business days after the date the construction reaches the ground level	23,940	5.0	40.0
within 15 business days after the date of completion of the construction of the third floor	19,152	4.0	44.0
within 15 business days after the date of completion of the construction of the sixth floor	19,152	4.0	48.0
within 15 business days after the date of completion of the construction of the ninth floor	19,152	4.0	52.0
within 15 business days after the date of completion of the construction of the 12 th floor	19,152	4.0	56.0
within 15 business days after the date of completion of the construction of the 15 th floor	19,152	4.0	60.0
within 15 business days after the date of topping-out	119,700	25.0	85.0
within 15 business days upon completion of the completion acceptance procedures	47,880	10.0	95.0
within 15 business days upon obtaining the property title certificate	23,940	5.0	100.0
Total	<u>478,800</u>	<u>100.0</u>	

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If our Bank fails to pay the consideration due in full within the prescribed payment due date, our Bank shall pay a compensation of 0.05% of the overdue amount per day during the overdue period

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| Floor area of the Property (based on floor area capable to be registered in the property title certificate of the Property) | <ul style="list-style-type: none">• 33,946.37 sq. m (subject to the actual floor area indicated on the approval documents issued by the relevant authorities) |
| Number of floors of the Property | <ul style="list-style-type: none">• 16-story |
| Delivery of the Property | <ul style="list-style-type: none">• Hongyuan Industry shall complete the completion acceptance filing procedures and deliver the Property within 35 months from the date (i) our Bank confirming the design of the Property in writing; and (ii) Hongyuan Industry obtaining the construction planning permit (建設工程規劃許可證) from the relevant authorities (the “Delivery Deadline”). |
| Consideration adjustment | <ul style="list-style-type: none">• Should there be any difference between the floor area capable to be registered in the property title certificate of the Property and that stated in the Made-to-order Agreement (i.e. 33,946.37 sq.m), the consideration shall be adjusted as follows:<ul style="list-style-type: none">(i) if the difference is less than or equal to 0.6%, there shall be no adjustment to the consideration;(ii) if the difference is more than 0.6% and less than or equal to 3.0%, the consideration shall be increased by RMB11,700 per extra sq.m or decreased by RMB11,700 per sq.m shortfall (as the case may be);(iii) if the floor area capable to be registered in the property title certificate of the Property is larger than that stated in the Made-to-order Agreement by more than 3.0%, the consideration shall be increased by RMB11,700 per extra sq.m only for the initial 3.0%; and(iv) if the floor area capable to be registered indicated in the property title certificate of the Property is smaller than that stated in the Made-to-order Agreement by more than 3.0%, the consideration shall be decreased by RMB11,700 per sq. m for the initial 3.0% shortfall and RMB14,040 per sq. m for the remaining shortfall. |
| Termination and compensation | <ul style="list-style-type: none">• If Hongyuan Industry fails to deliver the Property within the Delivery Deadline, Hongyuan Industry shall, at the option of our Bank:<ul style="list-style-type: none">(i) refund the consideration paid together with 20% of the total consideration as compensation; or(ii) continue to perform the Made-to-order Agreement and pay 0.05% of the total consideration per day from the date following the Delivery Deadline to the actual date of delivery of the Property (subject to a maximum cap of 20% of the total consideration) as compensation. |

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- If Hongyuan Industry sells the Property to a third party without the consent of our Bank, Hongyuan Industry shall return the consideration paid together with 20% of the total consideration as compensation unless our Bank has been in breach of the laws and regulations or the Made-to-order Agreement.
- If, for a period of more than 30 days, Hongyuan Industry fails to register the title of the Property for our Bank upon the completion of the inspection and filing procedures and within one year after the signing of the property sale and purchase agreement due to Hongyuan Industry being unable to cause the sub-division of the title of the Property from the remaining site, provided that our Bank has been in compliance with the Tax Payment Obligation (as defined below), Hongyuan Industry shall, at the option of our Bank:
 - (i) refund the consideration paid together with 20% of the total consideration and other damages incurred by our Bank as compensation; or
 - (ii) continue to perform the Made-to-order Agreement and arrange for the transfer of the title of the Property to our Bank within five years and pay 0.05% of the total consideration per day from such date to the actual date of delivery of title of the Property (subject to a maximum accumulation period of five years) as compensation. Our Bank has the right to terminate the Made-to-order Agreement if the transfer of title is not registered upon the end of the five-year period.
- If our Bank (i) fails to pay the consideration due in full within two months of the prescribed payment due date; (ii) terminates the Made-to-order Agreement unilaterally without cause; (iii) requests to return the Property; or (iv) refuses to cooperate in the registration of the transfer of title of the Property, Hongyuan Industry may terminate the Made-to-order Agreement and our Bank shall pay 20% of the total consideration as compensation and Hongyuan Industry shall refund the remaining consideration paid by our Bank after deducting the aforementioned compensation.
- Save for circumstances expressly provided in the Made-to-order Agreement, if any party breaches the Made-to-order Agreement, the other party may require the breaching party to pay a compensation of 20% of the total consideration or the actual loss amount, whichever is the higher.
- Our Bank shall be responsible for (i) the property tax of the Property after delivery of the Property; and (ii) the taxes and fees arising out of the application of the property title certificate and transfer of the title of the Property.
- Hongyuan Industry shall be responsible for the property tax of the Property before delivery of the Property.

Taxes

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Other principal terms

- Our Bank shall pay tax of not less than RMB50 million per year in the Nancheng District in Dongguan, Guangdong Province after delivery of the Property (the “**Tax Payment Obligation**”).
- Upon delivery of the Property, our Bank shall have the priority to rent 136 car parking spaces in the underground carpark.

1. For reference only and does not form part of the terms of the Made-to-order Agreement.

Reasons for and Benefit of Entering into of the Made-to-order Agreement

The current data center of our Bank was put into service in 2012 where spaces in our current data center have almost been used up and our Bank has been renting server rack spaces from third party as interim solution. To support the long term business development of our Bank, taking into consideration of our information technology strategic planning, our Bank decided to set up a new data center and research and development center.

Taking into consideration of (i) Hongyuan International Artificial Intelligence (AI) Industry Center Phase I being suitable for establishing data center based on our Bank’s evaluation with reference to an analysis report prepared by third party consultancy company; (ii) the availability of comprehensive supporting facilities around the Property; (iii) the artificial intelligence positioning of Hongyuan International Artificial Intelligence Industry Center Phase I being in line with the development direction of the information technology strategic planning of our Bank as artificial intelligence is one of the major technologies in fintech application; (iv) the fact that the Property locates in proximity with our headquarters building, facilitating collaboration and discussion between our information technology department and the operation departments in our headquarters building on project needs and system testing; and (v) the valuation report on the Property prepared by an independent third party property valuation company, our Bank entered into the Made-to-order Agreement with Hongyuan Industry, the developer of Hongyuan International Artificial Intelligence Industry Center Phase I, to build the Property in accordance with the customization requests of our Bank for setting up our new data center and research and development center.

The Board of Directors is of the opinion that (i) the transaction under the Made-to-order Agreement is in the ordinary and usual course of business of our Bank and in the interests of our Bank and our Shareholders as a whole and (ii) the terms of the Made-to-order Agreement are on normal commercial terms and are fair and reasonable.

Basis of Determination of the Consideration

The consideration under the Made-to-order Agreement was determined after commercial negotiations between the parties based on the initial quotation provided by Hongyuan Industry, with reference to the valuation report on the Property prepared by an independent third party property valuation company.

B. Property Leasing

As at the Latest Practicable Date, our Bank has leased certain properties from our connected persons under various tenancy agreements for setting up our sub-branches, ATMs and intelligent video banks (the “**Subsisting Leases**”) with their monthly rent determined with reference to the then prevailing market rent.

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As the Subsisting Leases have been recognized as an asset representing our right to use the leased property and a liability to make rental payments during the lease term in accordance with the applicable accounting standard, the Subsisting Leases constitute one-off transactions of our Bank within the meaning of the Listing Rules. If the Subsisting Leases were entered into after the Listing, these transactions would be fully exempt from the reporting, announcement, circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules as the Subsisting Leases are on normal commercial terms (or commercial terms that are better to us) and the highest applicable percentage ratio of such transactions are less than 0.1%.

If our Group enters into any tenancy agreement with our connected persons after the Listing, we will comply with the applicable requirements under the Listing Rules where necessary.