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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Dongguan Rural Commercial Bank Co., Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**DRC Bank**

### **Dongguan Rural Commercial Bank Co., Ltd.\*** **東莞農村商業銀行股份有限公司\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock code: 9889)**

**WORK REPORT OF THE BOARD OF DIRECTORS FOR 2022,  
WORK REPORT OF THE BOARD OF SUPERVISORS FOR 2022,  
APPOINTMENT OF EXECUTIVE DIRECTOR,  
2022 ANNUAL REPORT,  
DONATION TO DONGGUAN RURAL COMMERCIAL BANK EDUCATION PUBLIC  
WELFARE FOUNDATION TO SUPPORT DONGGUAN SECONDARY SCHOOL AND  
OTHER EDUCATION PUBLIC WELFARE UNDERTAKINGS,  
PLAN FOR ESTIMATED CAPS FOR CERTAIN RECURRING RELATED PARTY  
TRANSACTIONS,  
APPOINTMENT OF THE ACCOUNTING FIRMS  
FOR 2023 FINANCIAL STATEMENTS,  
2022 FINAL FINANCIAL ACCOUNTS PLAN,  
2022 PROFIT DISTRIBUTION PLAN,  
2023 FINANCIAL BUDGET PLAN,  
AND  
NOTICE OF 2022 AGM**

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A notice convening the 2022 AGM to be held at 3:00 p.m. on May 25, 2023 (Thursday) at the conference room of Dongguan Rural Commercial Bank Building, No. 2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC is set out on pages AGM-1 to AGM-3 of this circular. A reply slip and form of proxy for H Shareholders for use at the 2022 AGM was enclosed with this circular. Such reply slip and form of proxy can be downloaded from the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Bank at [www.drcbank.com](http://www.drcbank.com).

If you intend to attend the 2022 AGM in person or by proxy, you are required to inform the Bank prior to May 15, 2023 (Monday) at 4:30 p.m., and H Shareholders are required to return the reply slip for H Shareholders for use at the 2022 AGM enclosed with this circular to the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

H Shareholders who wish to attend the 2022 AGM by proxy are also required to complete and return the accompanying form of proxy for H Shareholders enclosed with this circular in accordance with the instructions printed thereon to the H Share registrar of the Bank in Hong Kong, Computershare Hong Kong Investor Services Limited (the same address referred to above) not less than 48 hours before the time for the holding of the 2022 AGM (i.e. prior to 3:00 p.m. on May 23, 2023 (Tuesday)) (or 48 hours before any adjournment thereof, if any). Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2022 AGM or any adjournment thereof should you so wish.

To enhance the efficiency of the meeting, the 2022 AGM will not have an on-site question-and-answer session. If shareholders have any questions about the Board of the Bank, please send the questions together with personal information and share certificate to the mailbox [gddh@drcbank.com](mailto:gddh@drcbank.com) before May 15, 2023 (Monday). The Board of the Bank will try its best to answer the questions at the 2022 AGM according to the actual situation.

In case of any discrepancy between the Chinese and English versions of this circular and the notice of the 2022 AGM, the Chinese version shall prevail.

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

May 4, 2023

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## DEFINITIONS

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

“2022 AGM”	the 2022 annual general meeting of the Bank to be held at the conference room of Dongguan Rural Commercial Bank Building, No. 2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC on May 25, 2023 (Thursday) at 3:00 p.m., or if the context requires, including the adjournment thereof (if any)
“Articles” or “Articles of Association”	the articles of association of the Bank
“Bank”	Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行股份有限公司), a joint stock company established on December 22, 2009 through restructuring in the PRC with limited liability and its H Shares listed on the Stock Exchange, and if the context requires, including its predecessor, branches and sub-branches but excluding its subsidiaries
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory agency formed by merging the former China Banking Regulatory Commission and the former China Insurance Regulatory Commission in accordance with the Notice of the State Council on the Setup of Institutions (Guo Fa [2018] No. 6) (國務院關於機構設置的通知(國發[2018]6號)) issued by the State Council on March 24, 2018, and if the context requires, including its predecessor, i.e., the China Banking Regulatory Commission and the China Insurance Regulatory Commission
“Company Law”	the Company Law of the People’s Republic of China
“Director(s)”	the director(s) of the Bank

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## DEFINITIONS

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“Domestic Share(s)”	ordinary share(s) with a par value of RMB1.00 per share issued by the Bank in the PRC, which shall be subscribed in RMB
“Domestic Shareholder(s)”	holder(s) of domestic share(s)
“Group” or “we” or “us”	the Bank and its subsidiaries
“HK\$” or “HKD” or “Hong Kong Dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	ordinary share(s) with a par value of RMB1.00 per share of the Bank, which shall be subscribed in currency other than RMB and are listed on the main board of the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H share(s)
“Latest Practicable Date”	April 28, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Bank, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s), including Domestic Shareholder(s) and H Shareholder(s)
“Supervisor(s)”	the supervisor(s) of the Bank

Unless otherwise specified, the unit of currency of financial figures in this circular is RMB.

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LETTER FROM THE BOARD

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**DRC Bank**

**Dongguan Rural Commercial Bank Co., Ltd.\***

**東莞農村商業銀行股份有限公司\***

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

**(Stock code: 9889)**

*Executive Directors:*

Mr. FU Qiang (*President*)

Mr. YE Jianguang

*Non-executive Directors:*

Mr. LAI Chun Tung

Mr. WANG Junyang

Mr. CAI Guowei

Mr. YE Jinquan

Mr. CHEN Haitao

Mr. ZHANG Qingxiang

Mr. CHEN Weiliang

Mr. TANG Wencheng

*Registered address and headquarters address:*

No. 2, Hongfu East Road,  
Dongcheng Street, Dongguan City,  
Guangdong Province, the PRC

*Principal place of business in*

*Hong Kong:*

40/F, Dah Sing Financial Centre,  
248 Queen's Road East,  
Wanchai,  
Hong Kong

*Independent Non-executive Directors:*

Mr. ZENG Jianhua

Mr. YIP Tai Him

Mr. XU Zhi

Mr. TAN Fulong

Ms. LIU Yuou

Ms. XU Tingting

May 4, 2023

*To the Shareholders*

Dear Sir or Madam,

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

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## LETTER FROM THE BOARD

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**WORK REPORT OF THE BOARD OF DIRECTORS FOR 2022,  
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FOR 2023 FINANCIAL STATEMENTS,  
2022 FINAL FINANCIAL ACCOUNTS PLAN,  
2022 PROFIT DISTRIBUTION PLAN,  
2023 FINANCIAL BUDGET PLAN,  
AND  
NOTICE OF 2022 AGM**

### INTRODUCTION

The 2022 AGM will be held at the conference room of Dongguan Rural Commercial Bank Building, No. 2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC at 3:00 p.m. on May 25, 2023 (Thursday). The resolutions will be proposed at the meeting to the Shareholders for consideration and approval, including ordinary resolutions: (1) the work report of the Board of Directors for 2022, (2) the work report of the Board of Supervisors for 2022, (3) appointment of executive Director, (4) the 2022 annual report, (5) the donation to Dongguan Rural Commercial Bank Education Public Welfare Foundation to support Dongguan Secondary School and other education public welfare undertakings, (6) the plan for estimated caps for certain recurring related party transactions, (7) the appointment of the accounting firms for 2023 financial statements, (8) the 2022 final financial accounts plan, (9) the 2022 profit distribution plan, and (10) the 2023 financial budget plan.

Meanwhile, Shareholders will also listen to (1) the work report of the independent Directors for 2022, (2) the report on the results of performance evaluation of the Directors, Supervisors and senior management in 2022, and (3) the report on related party transactions for 2022 at the 2022 AGM.

The notice of 2022 AGM is set out on pages AGM-1 to AGM-3 of this circular. The purpose of this circular is to provide you with further details of proposed resolutions at the meeting to enable you to make an informed voting decision on the resolutions at the 2022 AGM.

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## LETTER FROM THE BOARD

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### I. MATTERS TO BE RESOLVED AT THE 2022 AGM

#### 1. Work Report of the Board of Directors for 2022

For the full text of work report of the Board of Directors for 2022, please refer to Appendix I to this circular.

#### 2. Work Report of the Board of Supervisors for 2022

For the full text of work report of the Board of Supervisors for 2022, please refer to Appendix II to this circular.

#### 3. Appointment of executive Director

With referene to the Bank's announcement dated April 28, 2023, the in relation to, among others, the proposed appointment of an executive Director. The Board of Directors, upon recommendation from the nomination and remuneration committee of the Board of Directors, recommended the appointment of Mr. LU Guofeng (盧國鋒先生) ("Mr. Lu") as an executive director of the Bank. The appointment of Mr. Lu, if approved at the 2022 AGM, will become effective upon obtaining the approval from the regulatory authority. Further announcement will be made in due course upon the appointment taking effect.

Pursuant to the Articles of Association, Mr. Lu, if appointed, shall hold office until the end of the term of the fourth session of the Board of Directors and be eligible for re-election.

#### *Biography of Mr. Lu*

Mr. Lu Guofeng, aged 53, a member of the Communist Party of China, holds a postgraduate degree and a master degree, being an intermediate economist, and currently served as a member and secretary of the party committee of the Bank. Mr. Lu started working since July 1991, and successively worked for China Construction Bank in different departments including administration office of Dongguan Branch, Chang'an Branch, department of marketing, department of credit operation and department of corporate business, etc. Mr. Lu served as a member of the party committee and vice president of Dongguan Branch of China Construction Bank from July 2002 to March 2005; successively served as a member of the party committee, deputy secretary of the party committee and president of Dongguan Commercial Bank Co., Ltd.<sup>#</sup> (東莞市商業銀行股份有限公司) (the predecessor of Bank of Dongguan Co., Ltd.<sup>#</sup> (東莞銀行股份有限公司)) from March 2005 to March 2008; as deputy secretary of the party committee and president of Bank of

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## LETTER FROM THE BOARD

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Dongguan Co., Ltd. from March 2008 to June 2014; and as secretary of the party committee and chairman of Bank of Dongguan Co., Ltd. from June 2014 to April 2023. In addition, Mr. Lu is currently a member of the 7th Council of Dongguan Banking Association.

### *Service Contract*

Upon Mr. Lu's appointment taking effect, the Bank will enter into a service contract with him for a term from the date of appointment up to the end of the term of the fourth session of the Board. Details of Mr. Lu's service contract and remuneration will be announced upon his appointment taking effect.

### *General Information*

Save as disclosed above, as at the Latest Practicable Date, Mr. Lu: (i) has not served as director in any company listed in Hong Kong or abroad over the past three years, and does not hold any other position in the Bank and its affiliates; (ii) does not have any other major appointments or professional qualifications; (iii) does not have any other relationship with any director, supervisor, senior management or substantial or controlling shareholders (if any) of the Bank; (iv) does not have any interest in the shares of the Bank or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (v) has no other information on his election to be shared with Shareholders, no information to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and no other information to be submitted to the Hong Kong Stock Exchange or Shareholders for attention.

#### **4. 2022 Annual Report**

The 2022 annual report is available on the websites of the Bank ([www.drcbank.com](http://www.drcbank.com)) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

#### **5. Donation to Dongguan Rural Commercial Bank Education Public Welfare Foundation to support Dongguan Secondary School and other education public welfare undertakings**

The Bank is committed to building a caring and socially responsible enterprise, actively fulfilling its social responsibilities and participating in social welfare activities. In order to support the development of local education, the Bank plans to make public welfare donations to Dongguan Rural Commercial Bank Education Public Welfare Foundation to enhance the brand influence and the public's sense of value recognition of the Bank through donations.



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## LETTER FROM THE BOARD

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We are applying for the following donations:

- I. Proposed to donate RMB50,000,000 to Dongguan Rural Commercial Bank Education Public Welfare Foundation, which will be mainly used for the following projects: (i) supporting the construction of middle school campus and the improvement of school facilities of Dongguan Secondary School projects; (ii) optimising the education informatization construction pilot projects; and (iii) sponsoring poor students and rewarding outstanding students and other projects.
- II. As the project is a special project, the donation amount of the project is not included in the annual external public welfare donation quota authorised by the general meeting to be approved by the Board.

### **6. Plan for Estimated Caps for Certain Recurring Related Party Transactions**

In order to regulate the management of related party transactions of the Bank and improve customer service efficiency, in accordance with the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (銀行保險機構關聯交易管理辦法) (CBIRC Order [2022] No. 1), the Articles of Association of the Bank, the Administrative Measures for Related Party Transactions of Dongguan Rural Commercial Bank Co., Ltd. and other relevant regulations, the Bank has formulated the estimated caps for certain recurring related party transactions.

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## LETTER FROM THE BOARD

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### *Certain related parties and estimated caps for related party transactions*

#### *(I) Fook Man Development Company Limited and its related parties*

##### General Information

Company Profile: Fook Man Development Company Limited (hereinafter referred to as “**Fook Man Development**”) is wholly-owned by Dongguan City Fook Man Group Company, which is in turn wholly-owned by Dongguan City Transportation Investment Group Co., Ltd. (hereinafter referred to as “**Dongguan Transportation Investment**”). Dongguan Transportation Investment was established on August 29, 1986 with a registered capital of RMB3,630,000,000. Its legal representative is Luo Peiqiang (羅沛強). Its business scope includes: investment, construction, operation, management and maintenance of transportation infrastructure; investment, operation and management of city card such as public transportation, small consumption and public utilities; investment, operation and management of public passenger transportation, passenger terminal (passenger point) operation, waterway transportation, port operation, warehousing services, transportation properties and other transportation fields and related industries. It is principally engaged in the construction and operation of city-wide transportation integration and investment in transportation and other related industries.

Relationship with the Bank: Currently, the controlling shareholder of Fook Man Development is Dongguan City Fook Man Group Company, the de facto controller is the State-owned Assets Supervision and Administration Commission of Dongguan Municipal People’s Government, there is no party acting in concert, and its ultimate beneficiary is itself. As at December 31, 2022, Fook Man Development held 126,262,000 shares of the Bank, accounting for 1.83% of the total share capital of the Bank; Fook Man Development and its related parties held a total of 126,262,000 shares of the Bank, accounting for 1.83%. Fook Man Development is related to Tang Wencheng (唐聞成), a Director of the Bank.

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## LETTER FROM THE BOARD

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Estimated cap proportion applied

Fook Man Development and its related parties apply to the Bank for credit extension related party transactions with an estimated credit limit of no more than 10% of the Bank's net capital, and non-credit extension related party transactions with an estimated credit limit of no more than 10% of the Bank's net capital.

(II) *Guangdong Canvest Investment Co., Ltd.\* (廣東粵豐投資有限公司) and its related parties*

General information

Company profile: Guangdong Canvest Investment Co., Ltd. ("**Canvest Investment**") was established on November 27, 2002. Its legal representative is Guo Huiqiang (郭惠強) and its registered capital is RMB100 million. Its business scope includes: investment and establishment of industries, sales of steel, building materials, wood, construction machinery and hardwares. The company is primarily engaged in sales of building materials, steel, wood, hardwares and industrial investment.

Relationship with the Bank: At present, the controlling shareholder of Canvest Investment is Guo Huiqiang who is also the de facto controller. There is no party acting in concert, and its ultimate beneficiary is the company itself. As at December 31, 2022, Canvest Investment held 299,246,910 Shares of the Bank, accounting for 4.34%; Canvest Investment and its related parties held a total of 301,992,343 Shares of the Bank, accounting for 4.38%. Canvest Investment has a related relationship with Lai Chun Tung (黎俊東), a Director of the Bank.

Estimated cap proportion applied

The estimated amount of credit related party transactions applied by Canvest Investment and its related parties to the Bank shall not exceed 10% of the net capital of the Bank, and the expected amount of non-credit related party transactions shall not exceed 10% of the net capital of the Bank.

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## LETTER FROM THE BOARD

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*(III) Dongguan City Kanghua Investment Group Co., Ltd.\* (東莞市康華投資集團有限公司) and its related parties*

### General information

Company profile: Dongguan City Kanghua Investment Group Co., Ltd. (“**Kanghua Group**”) was established on March 29, 2002, its legal representative is Wang Junyang (王君揚). Its registered capital is RMB268.88 million, and its business scope includes: corporate management consulting, investment in various infrastructure construction projects, domestic commerce and material supply and marketing (excluding state-controlled and franchised projects), investment in medical projects (excluding operation), investment in educational projects, property leasing and property management. The company is primarily engaged in the investment in the medical industry, including Dongguan Kanghua Hospital and Dongguan Renkang Hospital.

Relationship with the Bank: At present, the controlling shareholder of Kanghua Group is Wang Junyang who is also the de facto controller. There is no party acting in concert, and its ultimate beneficiary is the company itself. As of December 31, 2022, Kanghua Group held 150,104,602 Shares of the Bank, accounting for 2.18%; Kanghua Group and its related parties held a total of 172,389,749 Shares of the Bank, accounting for 2.50%. Wang Junyang, the controlling shareholder of Kanghua Group, is a Director of the Bank.

### Estimated cap proportion applied

The estimated amount of credit related party transactions applied by Kanghua Group and its related parties to the Bank shall not exceed 10% of the Bank’s net capital, and the estimated amount of non-credit related party transactions shall not exceed 10% of the Bank’s net capital.

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## LETTER FROM THE BOARD

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### *(IV) Guangdong Haide Group Co., Ltd. and its related parties*

#### General information

Company profile: Guangdong Haide Group Co., Ltd. (“**Haide Group**”) was established on July 28, 2000, and its legal representative is Ye Jinquan (葉錦泉). Its registered capital is RMB200 million, and its business scope includes: industrial investment, engineering bidding agency services, building intelligent engineering, decoration design and engineering construction, production of hardware products, landscaping engineering, sales of building materials and decoration materials (excluding hazardous chemicals), real estate development (operated with valid qualification certificates). The company is mainly engaged in building material trade and industrial investment.

Relationship with the Bank: At present, the controlling shareholder of Haide Group is Ye Jinquan (directly and indirectly holding 82.36% of the shares), and de facto controller is Ye Jinquan. There is no party acting in concert, and its ultimate beneficiary is the company itself. As of December 31, 2022, Haide Group held 69,784,524 Shares of the Bank, accounting for 1.01%; Haide Group and its related parties held a total of 116,333,556 Shares of the Bank, accounting for 1.69%. Ye Jinquan, the controlling shareholder of Haide Group, is a Director of the Bank.

#### Estimated cap proportion applied

The estimated amount of credit related party transactions applied by Haide Group and its related parties to the Bank shall not exceed 10% of the Bank’s net capital, and the estimated amount of non-credit related party transactions shall not exceed 10% of the Bank’s net capital.

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## LETTER FROM THE BOARD

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*(V) Dongguan Hongyuan Hotel Co., Ltd. and its related parties*

General information

Company profile: Dongguan Hongyuan Hotel Co., Ltd. (“**Hongyuan Hotel**”) was established on June 22, 2000, its legal representative is Chen Jiangtao (陳江濤). Its registered capital is RMB10 million, and its business scope includes: catering services, tourism, karaoke, ballroom, hairdressing service, cigarette retail, beauty service (excluding medical beauty). The company’s main business is Hongyuan Hotel.

Relationship with the Bank: At present, the controlling shareholder of Hongyuan Hotel is Chen Jiangtao, who is also the de facto controller. There is no party acting in concert, and its ultimate beneficiary is the company itself. As of December 31, 2022, Hongyuan Hotel held 30,100,000 Shares of the Bank, accounting for 0.44%; Hongyuan Hotel and its related parties held a total of 32,845,106 Shares of the Bank, accounting for 0.48%. Chen Haitao (陳海濤), a close relative of Chen Jiangtao, the controlling shareholder of Hongyuan Hotel, is a Director of the Bank.

Estimated cap proportion applied

The estimated amount of credit related party transactions applied by Hongyuan Hotel and its related parties to the Bank will not exceed 10% of the Bank’s net capital, and the estimated amount of non-credit related party transactions will not exceed 10% of the Bank’s net capital.

*(VI) Dongguan City Xingye Knitting Co., Ltd. (東莞市興業針織有限公司) and its related parties*

General information

Company profile: Dongguan City Xingye Knitting Co., Ltd. (東莞市興業針織有限公司) (“**Xingye Knitting**”) was established on May 28, 1995. Its legal representative is Fu Wanxia (傅婉霞) and its registered capital is RMB50 million. Its business scope includes: production of knitted garments, knitwear, bedding, sweater printing, and sales of raw materials for knitwear. The company is mainly engaged in the production of knitted garments and has the registered trademark of “紀帆登 (Ji Fan Deng)”.

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## LETTER FROM THE BOARD

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Relationship with the Bank: Currently, the controlling shareholder of Xingye Knitting is Chen Xipei (陳錫培), and the de facto controller is Chen Xipei. There is no party acting in concert, and the ultimate beneficiary is the company itself. As of December 31, 2022, Xingye Knitting held 30,064,941 Shares of the Bank, accounting for 0.44%; Xingye Knitting and its related parties held a total of 36,313,081 Shares of the Bank, accounting for 0.53%. Chen Weiliang (陳偉良), a close relative of Chen Xipei, the controlling shareholder of Xingye Knitting, is a Director of the Bank.

### Estimated cap proportion applied

The estimated amount of credit related party transactions applied by Xingye Knitting and its related parties to the Bank will not exceed 3% of the Bank's net capital, and the estimated amount of non-credit related party transactions will not exceed 10% of the Bank's net capital.

### Definition of related party

Related parties shall be defined with reference to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (銀行保險機構關聯交易管理辦法) (CBIRC Order [2022] No. 1).

### Validity of estimated caps

Valid for a period from the date of consideration and approval at the annual general meeting of Shareholders to June 30, 2024.

### Definition of related party transaction

Related party transaction shall be defined with reference to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (銀行保險機構關聯交易管理辦法) (CBIRC Order [2022] No. 1).

### Analysis of pricing policy and fairness

- (I) The above-mentioned estimated cap proportion of related party transactions is not the agreed proportion that shall actually occur. Certain estimated recurring related party transactions of the Bank are routine businesses within the Bank's policies and business scope. The actual related transactions between the Bank and related parties will be priced in accordance with general commercial terms and the principle of fair market value, and will be conducted on

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## LETTER FROM THE BOARD

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conditions no better than similar transactions with non-related parties. The Bank shall not provide guarantee for financing activities of related parties, except in the case where related parties provide full counter-guarantee with certificates of deposit or government bonds.

- (II) Within the proportion of the estimated amount of related party transactions under the plan, the actual related party transactions between the Bank and related parties shall be subject to laws, regulations, regulatory requirements and the Bank's rules and regulations, and will be implemented after approval in accordance with the Bank's internal authorization procedures for relevant businesses. In the event of a related party transaction between the Bank and the related parties under the plan exceeds the estimated amount of related party transactions, it will be reviewed by the Bank's Related Party Transaction Control Committee as required, and be reviewed by the Board of Directors and submitted to the general meeting of Shareholders for approval. If an actual related party transaction between the Bank and related parties is also the connected transaction under the Listing Rules and does not meet the conditions for exempting independent Shareholders' approval, such transaction shall be submitted to the Shareholders' general meeting for approval.
- (III) After the Bank conducted related party transactions with related parties, the ratio of the credit balance of the related parties to the net capital of the Bank must meet the regulatory requirements of the regulatory authorities for the Bank and the internal management requirements of the Bank.
- (IV) When the related party transaction is unfair and causes losses to the Bank due to the reasons of the related party, the Bank has the right to cancel or terminate the transaction.

### **7. Appointment of the Accounting Firms for 2023 Financial Statements**

The term of office of KPMG and Pan-China Certified Public Accountants LLP will expire at the conclusion of the 2022 AGM. In accordance with the Bank's Articles of Association and other relevant regulations, KPMG is recommended to be re-appointed as the Bank's international accounting firm for the year 2023, after inviting tenders and taking into account the overall business capability and other factors; Pan-China Certified Public Accountants LLP is recommended to be re-appointed as the Bank's domestic accounting firm for the year 2023, after taking into account the familiarity with the Bank's accounting system and other factors.



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## LETTER FROM THE BOARD

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### 8. 2022 Final Financial Accounts Plan

In 2022, in the face of the complicated business environment, the Bank earnestly implemented the “1+12348” planning and deployment. Guided by the tasks and objectives of the three-year development plan, and effectively responded to complex economic cycle fluctuations, adhered to the development path of continuous growth in scale, quality and efficiency, and successfully completed various task indicators. Based on the results of the 2022 annual financial report audited by KPMG, the 2022 financial final accounts are reported as follows (the report adopts information on Group basis):

1. *The scale of assets and liabilities has grown steadily:* as of the end of 2022, the Group’s total assets amounted to RMB657.69 billion, representing an increase of 10.84% over the end of last year; the balance of various deposits amounted to RMB459.163 billion, representing an increase of 10.92% over the end of last year; the balance of various loans amounted to RMB331.998 billion, representing an increase of 11.37% over the end of last year.
2. *The profitability continued to grow steadily:* in 2022, the Group realized a pre-provision profit of RMB8.523 billion, representing a year-on-year increase of 1.07%; a net profit of RMB6.083 billion, representing a year-on-year increase of 6.66%. ROA (return on average total assets) and ROE (return on average equity) were 0.97% and 11.72% respectively.
3. *Asset risk compensation capabilities continued to improve:* As of the end of 2022, the Group’s non-performing loan ratio was 0.90%, and the provision coverage ratio was 373.83%, basically the same as the beginning of the year. The provision-to-loan ratio was 3.37%, representing an increase of 0.22 percentage points as compared to the end of the previous year.
4. *Sufficient capital endogenous growth:* In 2022, the Group’s profit maintained steady growth, and endogenous capital replenishment was strengthened. As of the end of 2022, the core tier-one capital adequacy ratio and capital adequacy ratio of the Group were 13.70% and 15.98%, respectively.

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## LETTER FROM THE BOARD

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*Table of the Group's Major Operating Indicators in 2022*

Major operating indicators	2021	2022
<b>1. Profitability</b>		
1.1 Return on average net assets (%)	12.87	11.72
1.2 Return on average total assets (%)	1.00	0.97
1.3 Earnings per share (RMB)	0.93	0.86
<b>2. Revenue structure</b>		
2.1 Net interest margin (%)	1.96	1.92
2.2 Percentage of net fee and commission income (%)	6.10	5.18
2.3 Cost-to-income ratio (%)	34.18	34.78
<b>3. Asset quality</b>		
3.1 Non-performing loan ratio (%)	0.84	0.90
3.2 Allowance coverage ratio (%)	375.34	373.83
3.3 Allowance to total loans (%)	3.15	3.37
<b>4. Capital adequacy ratio</b>		
4.1 Capital adequacy ratio (%)	16.29	15.98
4.2 Core tier-one capital adequacy ratio (%)	13.90	13.70

### 9. 2022 Profit Distribution Plan

In 2022, the Bank's audited total profit of parent company was RMB6.103 billion, representing an increase of RMB222 million or 3.77 % year-on-year; net profit of parent company was RMB5.86 billion, representing an increase of RMB262 million or 4.69% year-on-year. It is planned to distribute profits according to the following items and proportions:

1. Appropriation to statutory surplus reserve: pursuant to the Article 166 of the Company Law, 10% of the audited net profit shall be appropriated to the statutory surplus reserve;
2. Appropriation to general reserve: pursuant to the Article 6 of the Administrative Measures for Provision of Reserves of Financial Enterprises, 10% of the audited net profit shall be appropriated to the general reserve;
3. Distribution of cash dividends to Shareholders: cash dividends amounting to RMB1.998 billion will be distributed to Shareholders at RMB2.90 (tax inclusive) for every 10 shares. The cash dividend is expected to be paid on or before June 30, 2023.

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## LETTER FROM THE BOARD

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### *Dividend distribution arrangement*

If Shareholders approve the above 2022 profit distribution plan, the final dividend is expected to be paid on or before June 30, 2023, denominated in RMB, and will be paid to the Domestic Shareholders and H Shareholders in RMB and HKD, respectively. Dividend paid to H Shareholders in HKD will be converted at the average middle exchange rate of RMB against HKD announced by the People's Bank of China for the four working days prior to and including the date of approval of relevant dividend at the 2022 AGM. Shareholders whose names appear on the Bank's register of Shareholders on June 6, 2023 (Tuesday) will receive the above 2022 final dividend of RMB0.29 per share (tax inclusive).

For the purpose of determining the entitlement of H Shareholders of the Bank to the 2022 final dividend, the H Shares register of members of the Bank will be closed from June 1, 2023 (Thursday) to June 6, 2023 (Tuesday), both days inclusive, during which period no transfer of H Shares will be registered. In order to qualify for the 2022 final dividend, all H Share transfer documents together with the relevant share certificates must be lodged with the Bank's H Shares Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration, no later than 4:30 p.m. on May 31, 2023 (Wednesday).

### *Tax and tax relief*

#### *Domestic Shareholders*

According to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China, the Individual Income Tax Law of the People's Republic of China and the detailed implementation rules, for individual Domestic Shareholders, the Bank withholds and pays individual income tax at a rate of 20% in accordance with the national tax law; For enterprise Shareholders of Domestic Shares, the Bank does not withhold and pay corporate income tax. Shareholders of domestic shares of an enterprise shall perform their tax declaration and payment obligations in accordance with the provisions of the national tax law.

#### *H Shareholders*

##### Corporate H Shareholders

According to the Enterprise Income Tax Law of the People's Republic of China 《(中華人民共和國企業所得稅法)》 and its implementation regulations and other relevant rules and regulations, the Bank is required to withhold and pay enterprise income tax at the rate of 10% when distributing the 2022 final dividend to non-resident enterprise H Shareholders. Any H Shares

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## LETTER FROM THE BOARD

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registered in the name of non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise Shareholders and therefore their due dividends will be subject to the withholding of the enterprise income tax.

Upon receipt of such dividends, a non-resident enterprise Shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties/arrangements in person or through a proxy or a withholding agent and provide evidence in support of its status as a beneficial owner as defined in the tax treaties/arrangements. Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties/arrangements will be refunded.

### Individual H Shareholders

Pursuant to the Individual Income Tax Law of the People's Republic of China 《(中華人民共和國個人所得稅法)》 and its implementation regulations, and the regulations of the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document 《(關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知)》 (Guoshuihan [2011] No. 348) and the Administrative Measures for Non-Resident Taxpayers to Enjoy Treaty Benefits (Announcement No. 35 [2019] of the State Administration of Taxation) (“**Tax Convention Announcement**”), the Company is required to withhold and pay individual income tax when distributing the 2022 final dividend to individual H Shareholders. However, the individual H Shareholders may be entitled to relevant tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual H Shareholders are domiciled and the tax arrangements between Mainland China and Hong Kong or Macau. In this regard, the Bank will implement the following arrangements in relation to the withholding and payment of individual income tax for the individual H Shareholders:

- for individual H Shareholders who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of the individual H Shareholders in the distribution of final dividend.
- for individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will temporarily withhold and pay individual income tax at the rate of 10% on behalf of the individual H Shareholders in the distribution of final dividend. If relevant individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention

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## LETTER FROM THE BOARD

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Announcement. Qualified Shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid.

- for individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend.
- for individual H Shareholders whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Bank will withhold and pay individual income tax at the rate of 20% on behalf of the individual H Shareholders in the distribution of final dividend.

### **10. 2023 Financial Budget Plan**

Pursuant to the strategic deployment of the Board of Directors of the Bank, the 2023 financial budget plan of the Bank is as follows:

Pursuant to the Bank's business strategic development goals, each business maintained steady growth, the balance of deposits increased by 8%, and the balance of loans increased by 8%, and major regulatory indicators such as non-performing loan ratio and capital adequacy loan ratio continued to meet regulatory requirements. In order to promote the realization of the above budget targets, the Bank will continue to optimize the customer structure and accelerate digital transformation to ensure the smooth realization of the budget targets.

### **II. REPORTS TO BE LISTENED AT THE 2022 AGM**

The Shareholders will listen to the 2022 Work Report of Independent Directors of Dongguan Rural Commercial Bank Co., Ltd., the 2022 Result Report of Duty Performance Evaluation of the Directors, Supervisors and Senior Management of Dongguan Rural Commercial Bank Co., Ltd. and the 2022 Report on Related Party Transactions of Dongguan Rural Commercial Bank Co., Ltd. at the 2022 AGM.

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## LETTER FROM THE BOARD

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### III. THE 2022 AGM

The AGM will be held at 3:00 p.m. on May 25, 2023 at the conference room of Dongguan Rural Commercial Bank Building, No. 2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC, to consider and approve the resolutions relating to the matters set out in the notice of the 2022 AGM. The notice of the 2022 AGM is set out on pages AGM-1 to AGM-3 of this circular.

If you intend to attend the 2022 AGM in person or by proxy, you are required to inform the Bank prior to 4:30 p.m. on May 15, 2023 (Monday), and H Shareholders are required to return the reply slip for H Shareholders enclosed with this circular to the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

H Shareholders who wish to attend the 2022 AGM by proxy are also required to complete and return the accompanying form of proxy for H Shareholders enclosed with this circular in accordance with the instructions printed thereon and deposit the same to the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited (the same address referred to above) not less than 48 hours before the time for the holding of the 2022 AGM (i.e. prior to 3:00 p.m. on May 23, 2023 (Tuesday)) (or 48 hours before any adjournment thereof, if any). Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2022 AGM or any adjournment thereof should you so wish, in which case, instrument appointing a proxy shall be deemed to be revoked.

Such reply slip and form of proxy for H Shareholders can be downloaded from the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Bank at [www.drcbank.com](http://www.drcbank.com).

### IV. OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the requirements of the Articles of Association of the Bank, the independent non-executive Directors of the Bank shall express independent opinions on the resolutions on appointment of executive Director, appointment of accounting firms, information disclosure (i.e., the 2022 annual report), the estimated caps of recurring related party transactions, profit distribution plan. The opinions are set out in Appendix III of this circular.

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## LETTER FROM THE BOARD

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### V. RECOMMENDATIONS

The Board is of the opinion that the resolutions in relation to matters referred to in this circular and the notice of the 2022 AGM enclosed with this circular are in the long-term development interests of the Bank and the Shareholders as a whole. Thus, the Board recommends that the Shareholders should vote in favor of all the relevant resolutions proposed in relation to matters set out in the notice of the 2022 AGM.

### VI. ADDITIONAL INFORMATION

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

**Board of Directors**  
**Dongguan Rural Commercial Bank Co., Ltd.**

*# for identification purposes only*

In 2022, in the face of a complex external environment, “triple pressures” on the macro economy and other risks and challenges, as well as factors that exceeded expectations, we adhered to and strengthened the Party’s overall leadership over the financial sector. Guided by the spirits of the 20th CPC National Congress, we fully implemented Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and deeply practised the political and popular nature of financial work and improved its professionalism. We made great efforts in transformation and upgrade and forged ahead braving the risks and challenges, achieving significant value growth in serving economic and social development and helping stabilize the economic market, and making new progress in promoting the development of the Group businesses through down-to-earth efforts.

## I. OVERALL DEVELOPMENT OF THE GROUP IN 2022

Centering on the strategic requirements of high-quality development, Dongguan Rural Commercial Bank marched into a new track of “double new”, featuring the new system of group development and the new mechanism of listed banks, while adhering to strategic navigation. By upholding integrity and innovation, strengthening strengths and complementing weaknesses, we took an active role in serving the construction of a new development pattern, supporting the real economy and preventing and defusing financial risks, so as to achieve sustainable and sound development of quality, scale and efficiency.

**In the past year, in studying and implementing the spirits of the 20th CPC National Congress, we forged the Party organization even stronger.** To celebrate the 20th CPC National Congress, the Group held a series of theme activities, arousing the wave of learning, publicity and implementation. All Party members, cadres and employees more firmly and consciously supported the “two establishment” and “two maintenance”. On the track of “double new”, we opened up a new situation of “Party building within the Group + Party building at the grassroots level”, giving full play to the role of the leadership core and political core of the Party Committee of the Group more clearly and effectively, deeply integrating Party building with business operation and group management. “Implementing the ‘Three Ones’ Project to Promote High-quality Development through High-level Party Building” was selected as “Excellent Case of Innovation in Party Building of Enterprises in China in 2022”. “Adhere to the Red Financial Background and Activate the Driving Force of Rural Revitalization” was selected as one of the “100 Innovative Cases of ‘Two New’ Party Building of the Year”.



**In the past year, we built a more solid and reliable business foundation through comprehensive and coordinated development of quality, scale and efficiency.** As of the end of 2022, the Group's<sup>1</sup> total assets reached RMB657.690 billion, with RMB459.163 billion of deposits and RMB331.998 billion of loans. The Bank's loans amounted to RMB304.722 billion, with the balance of loans for manufacturing, small and micro enterprises, "modern agriculture, rural areas and farmers" increasing by 22.84%, 23.27%, 18.51% compared with the beginning of the year, demonstrating our stronger market positioning of supporting agriculture and SMEs. The Group's non-performing loans ratio was 0.90%, the provision coverage ratio was 373.83%, and the capital adequacy ratio was 15.98%, which were at the excellent level of commercial banks, helping the Bank firmly hold the initiative of development in the face of risks and challenges. The Group achieved net profit of RMB6.083 billion, ROA and ROE of 0.97% and 11.72%, respectively, laying a solid foundation for fully realizing the financial targets of the three-year development plan. We continued to maintain a leading edge in Chinese rural financial system and Dongguan banking industry in terms of business scale, development quality, operating efficiency and market position.

**In the past year, we deeply participated in the provincial rural cooperative medical institutions reform, stepping forward with greater confidence in our transformation.** Under the unified deployment of the provincial Party Committee and the provincial government, we actively participated in the reform of rural finance in the province, and accelerated the construction of a new regional collectivized development pattern of "one body and two wings". Under the joint efforts of all business entities of the Group, we further consolidated the stable and sound development of Zhanjiang Rural Commercial Bank, promoted the improvement of the business operation ability of Chaoyang Rural Commercial Bank, completed the work of supplementing the capital of Puning Rural Commercial Bank with special bonds and realized the steady operation of all Dongying rural banks, living up to the high expectations placed on the reform and development of the Group by the provincial Party Committee and the provincial government, vigorously maintaining local financial stability and effectively serving local economic development.

**In the past year, while consolidating the core strengths of "four beams and eight pillars", we carried out our strategic plan with greater determination and courage.** Based on the Group's "1+12348" development plan, we maintained the strategic focus of "drawing a blueprint to the end", strengthened the strategy implementation of "consistent implementation", and comprehensively improved the core competitiveness of "four beams and eight pillars". In particular, **digital transformation unleashed new forces**, and data governance capabilities, collaborative innovation awareness, and open banking services were effectively enhanced. **The Group embarked on a new track of development**, and the management power of the Bank was

1. In this report, the Group refers to Dongguan Rural Commercial Bank and its consolidated subsidiaries and the Bank refers to Dongguan Rural Commercial Bank, being the parent company

transferred to the local government. The management foundation of the Group was further consolidated, with improved management of consolidated financial statements. **New breakthroughs were made in the construction of customer ecosystem.** New customers were expanded effectively, existing customers were deeply managed, and associated customer groups were effectively activated, render a more systematic, diverse and open customer ecosystem. **New progress was made in providing financial services for rural vitalization.** We continued to deepen the “133” project and shortened the financial services of the village from the “last kilometer” to the “last meter”. Our image of “the bank at the heart of Dongguan people” was more popular, and the village and farmer business was further consolidated and improved. **New measures were taken to improve the talent pool,** the “six letting” mechanism was launched and constantly improved, the proportion of young officials increased in an orderly manner, and the organization and management became more cohesive.

**In the past year, we promoted the comprehensive compliance management, achieving greater brand value.** According to the ranking published by the international authoritative magazine “Banker” in 2022, Dongguan Rural Commercial Bank ranked 215th in the global banking industry, up 46 places from the previous year. We ranked 39th in the “Top 100 Banks in China 2022” list released by the China Banking Association. In the Forbes 2022 The Global 2000, Dongguan Rural Commercial Bank, as the only company included in the list in Dongguan city, ranked 1,278th. In the Hurun Report’s “2022 Hurun China Top 500 Companies”, Dongguan Rural Commercial Bank ranked 292nd with an enterprise valuation of RMB44.5 billion. With brand influence and industry awareness rising to a higher level, we promoted the unity of market value and intrinsic value.

## II. KEY WORKS OF THE BOARD OF DIRECTORS IN 2022

### (I) Upholding the Party’s leadership and guiding high-quality development through high-quality Party building

Centering on the positioning of “the social public bank under the leadership of the Party”, Dongguan Rural Commercial Bank always adheres to the idea that “the cause of the rural commercial bank is the financial cause of the Party”, upholds the overall leadership of the Party, and fully integrates the Party building work into the daily operation and management process.

- 1. Integration of party building and corporate governance.** Committed to the integration of comprehensive and strict governance of the Party and the Bank, we incorporated Party leadership and Party building into the Constitution of the Bank, and implemented the leadership mechanism of “two-way entry and cross-appointment”, ensuring that Party organizations play the political core role in the corporate governance structure. We strictly implemented the list of major operation and management matters

that the Party committee had studied and discussed in advance, ensuring that the board of directors would consider opinions of the Party committee before making major decisions. We closely integrated the law-based decisions of the board of directors with the major decisions of the Party Committee, and established a coordinated communication and decision-making mechanism. Persisting in planning Party building in tandem with the reform and development of the Company, we integrated the Party's leadership into the whole process of all work, and strove to realize the "three unities" of Party leadership and corporate governance, Party building and bank operation and management, and Party discipline and officials' requirements, providing a strong political guarantee for Dongguan Rural Commercial Bank to achieve higher quality development.

- 2. Integration of party building and business development.** We took a holistic and integrated approach, and carried out simultaneous research, planning, inspection, and assessment of Party building and business work, promoting the deep integration of Party building and business development. We created "outlet pioneers" and "Party member pioneers", explored the "linkage of two grassroots" mechanism of "grassroots village groups + grassroots bank outlet", formed a three-level service fortress of "head office – sub-branch – outlet", and promoted the Party building work to further extend to branches and outlets. Centering on the national strategy of rural vitalization, starting from Party building and joint construction, focusing on "double registration" and the "133" project, we implemented the Party's requirements for financial work in the financial practice of building a model of rural vitalization, and kept exploring ways to provide "modern agriculture, rural areas and farmers" financial services, achieving great results in high-quality development led by high-quality Party building.
- 3. Integration of party building and corporate culture.** We explored a long-term mechanism for building a clean financial culture, continued to cultivate a clean financial ecology featuring "refreshing air nourishes integrity and integrity promotes development", and deepened the building of a clean financial culture. We carried out regular oversight and inspection work, and promoted the deep integration of intra-party oversight with operational oversight, and the improvement of Party conduct and clean government with the prevention and control of financial risks. Focusing on both organizational construction and team construction, we continued to improve the "six letting" talent mechanism of "Let the talented one have the appropriate position, let the competent one have the chance to act, let the responsible one take responsibility, let the honest one do the work, let the hard-working one be awarded, and let the excellent one take precedence", so as to build a loyal, clean and responsible cadre team in the new era, and deepen the integration of organizational construction with the culture of talent team construction.

**(II) Strengthening corporate governance to lay a solid foundation for development with modern enterprise mechanisms**

Upholding the spirit of “perfecting the modern enterprise system with Chinese characteristics”, Dongguan Rural Commercial Bank has always adhered to the management concept of modern financial enterprises, strengthened corporate governance, and cultivated a good corporate governance culture in line with domestic and foreign regulatory requirements.

- 1. Improving board building mechanism.** First, we maintained standardized and efficient operation. The Board of Directors holds all kinds of meetings in strict accordance with relevant laws, regulations, regulatory provisions and the Articles of Association of the Bank, so as to continuously improve the standardization and effectiveness of corporate governance. In 2022, the Bank held 2 general meetings, deliberating 24 proposals and hearing 3 reports. The board of directors held 19 meetings, deliberating 207 proposals and hearing 10 reports. Second, we focused on Board Diversity. We continued to optimize the structure of the board of directors, and added one non-executive director and one independent non-executive director, so as to broaden the decision-making horizon of the board, and further enhance its professionalism and independence. Third, we strengthened the mechanism for performing duties. We developed an innovative pre-communication mechanism for the board of directors to provide multidimensional service for board decisions. We would have one-on-one communication on major proposals before the board meeting, listen to the opinions and suggestions of directors from various aspects, and form an atmosphere for full discussion, free speech and scientific decision-making, so as to fully guarantee the directors’ effective performance of their duties.
- 2. Optimizing the operational mechanism for governance.** First, we strengthened the corporate governance system. Based on the management principle of “governing by institutions”, we actively built an institutional system that meets regulatory requirements and adapts to Hong Kong capital market, and timely revised a number of corporate governance systems, including the Articles of Association, Rules of Procedure of General Meetings and Rules of Procedure of the Board of Directors. Second, we improved the mechanism for managing equity and connected transactions. Focusing on the standardization, specialization and long-term mechanism construction of shareholders’ equity management, we set up four major mechanisms, namely, the headquarters and branch joint action mechanism, the transfer notary cooperation mechanism, the CSDC transfer cooperation mechanism, and the professional legal counsel mechanism. We continued to improve the quality and effectiveness of connected transaction management, conducted in-depth research on new regulations on related transactions, strengthened information identification and data collection of connected

parties, and strictly followed procedures for reviewing, disclosing and reporting connected transactions. Third, we improved the mechanism for authorization management. In strict accordance with the legal authority and procedure of corporate governance, we improved the internal authorization mechanism of specific and linear authority between the general meeting and the board of directors, the board of directors and the management, and the management and functional departments and branches, clearly defined the responsibilities and powers of the “three meetings and the management”, so that all governance bodies can perform their duties in accordance with law in a scientific and efficient manner.

- 3. Strengthening capital management mechanism.** First, we enhanced capital operation management. We conscientiously performed capital management duties, promoted the combination of internal accumulation and external supplement, and actively explored multi-channel capital supplement methods. We completed the redemption of Tier 2 capital bonds in 2017 and successfully reissued Tier 2 capital bonds of RMB4 billion in 2022, maintaining stable and sufficient capital. Second, we strengthened the guidance of capital management. We continued to strengthen the concept of refined capital management, optimized internal capital adequacy assessment procedures, enhanced awareness of capital constraints, strengthened capital control, optimized the capital structure, and improved the efficiency of capital use. Third, we improved the quality and effectiveness of asset and liability management. We continued to optimize the adjustment of the asset structure, implemented quality management of liabilities, strengthened control over the scale of high-cost deposits, diversified the debt structure and refined the asset and liability management.

### **(III) Stepping into the double new track, accelerating the pace of development with the new system and mechanism**

Based on the principles of “marketization, legalization and specialization”, Dongguan Rural Commercial Bank made constant efforts on the “double new” track of the new group development system and the new listed bank mechanism under the established deployment of the three-year development plan of “1+12348”, and constantly enhanced its core competitiveness of high-quality development.

- 1. The new system of group development has been gradually improved.** First, a new development pattern of the Group was built. According to the overall arrangement of the reform of the system and mechanism of rural small and medium-sized financial institutions in Guangdong Province, the management right of the bank was transferred from the provincial federation to the Dongguan Municipal government, forming a new regional development pattern of “one body, two wings” where we, taking root in

Dongguan and based in the Guangdong-Hong Kong-Macao Greater Bay Area, will expand to the whole Guangdong province, taking East and west Guangdong as two wings, so as to extend financial services to the customer base in Greater Bay Area, build a Greater Bay Area customer ecosystem, and contribute to the development of the Guangdong-Hong Kong-Macao Greater Bay Area in an all-round way. Second, we created a new situation of group party building. The Party Committee of Puning Rural Commercial Bank and the Party branches of four Dongying Rural banks were integrated to promote the full coverage of the grass-roots Party organization system within the Group and build a collectivized Party organization system structure. We thoroughly implemented the three-year action plan for building grassroots organizations, formulated the key points of annual Party building work, promoted Party organizations at all levels to practice their “basic skills”, and worked together to achieve high-quality development of the Group. Third, we promoted new coordination in group management. We opened up internal resource sharing channels of the Group, and efficiently exported mature business management experience of the parent bank. We promoted the construction of the multi-legal person system of the Group, strengthened the resource support for the subsidiary and management institutions, and set up a vertical management system covering the management mechanism, coordination mechanism, major event reporting mechanism, regular event reporting mechanism, audit mechanism, and credit business reporting mechanism. Fourth, we established a new organizational structure of the Group. We set up a data management department, a consumer rights and Interests protection center, and an audit center for affiliated organizations. In addition, we promoted the network transformation and upgrading plan, and completed the organizational structure reform of 10 branches.

- 2. The new mechanism for listed bank has become gradually mature.** First, we strengthened the information disclosure mechanism. In strict accordance with domestic and foreign regulatory requirements, we explored the establishment of a coordinated and comprehensive internal major information reporting system and information disclosure responsibility system, completed annual report, interim report, ESG social responsibility report and other regular disclosure according to regulations, promptly disclosed provisional announcements, actively responded to public concerns, improved the transparency of operations and management, accepted the attention and supervision of the capital market, regulatory authorities at all levels, domestic and foreign media and all sectors of society, and strengthened the market restraint mechanism, thus creating a good public image of listed bank. Second, we strengthened the mechanism for managing investor relations. We actively built and improved the capital market research mechanism, strengthened the communication with investors to convey the highlights of the Bank’s operation and management and sustainable development prospects to the market, so as to further enhance our brand value, and strengthen investors’ confidence in

the Bank's investment. Third, we strengthened the mechanism for fulfilling responsibilities. We firmly adopted the concept of green development, enhanced the financial support in key areas such as energy conservation, environmental protection and resource recycling, and ensured precise investment of financial resources. We actively engaged in social public welfare undertakings, assisted the development of education in Dongguan through the Education Foundation of Dongguan Rural Commercial Bank, actively participated in public welfare and charitable undertakings such as poverty alleviation, and made best efforts to consolidate the achievements of poverty alleviation. We built a consumer protection work system of extensive range and full coverage, and established a diversified dispute resolution mechanism and a mechanism for handling complaints immediately, in order to promote the consensus of the whole bank on "consumer protection", and effectively protect the rights and interests of consumers.

**3. The mechanism for developing new growth drivers has been gradually improved.**

First, we accelerated the digital strategy transformation. We promoted the construction of digital talents, established digital thinking, strengthened data governance, enhanced financial technology innovation, fully empowered marketing, risk control, customer management, channel operation and other service scenarios, built 5G smart networks, and accelerated the creation of a "smart digital bank". Second, we improved the construction of customer ecosystem comprehensively. We reshaped the customer ecosystem construction, vigorously expanded new customer base, carried out in-depth management of existing customers, further promoted the "1+3+N" grid marketing, and constantly improved the refined management for three core customer groups such as modern "agriculture, rural areas and farmers" customer groups, "three chains" customer groups of advanced manufacturing industry, "three innovation" customer groups of small, medium and micro enterprises, so as to further promote ecological symbiosis and common prosperity of customers, mutual promotion and common progress. Third, we better served the real economy. Focusing on the manufacturing-oriented positioning of Guangdong and the positioning of Dongguan as a city of "technological innovation + advanced manufacturing", we developed industrial finance in an all-round way to promote the people's livelihood, urban modernization and industrial development of advanced manufacturing in Dongguan. Focusing on the specialized and innovative enterprises, we built a small and micro product system combining "online and offline", and successively launched such inclusive and featured products as "Stable Business Loans (穩業貸)", "Science Innovation Protection Loan (科保貸)", "Outstanding Enterprise Loan (優企貸)", "Overpayment Quick Loans (超抵快貸)", "Industry Support Loans (行業扶持貸)" and "Youth Entrepreneurship Loan (青創貸)", to provide small and micro manufacturing enterprises with multi-level, one-stop comprehensive financial services covering the whole life cycle. Focusing on the goal of "consumption", we made every effort to develop financial services for new citizens, and

created exemplary social and banking integration networks and voluntary social security service points, in order to meet the financial needs of new citizens for employment and entrepreneurship, housing security, education and training, medical care and old-age care.

#### **(IV) Maintaining a stable and prudent approach to development through comprehensive risk management**

Centering on the two main lines of “stabilizing growth and preventing risks”, Dongguan Rural Commercial Bank has always placed more importance on proactively preventing and defusing systemic financial risks, continuously improved its comprehensive risk management mechanism, and made solid efforts to prevent and control various risks.

- 1. Enhancing comprehensive risk management.** First, we improved the comprehensive risk management system. We built a “4321” comprehensive risk management system that conforms to the standards of listed banks, including a “four-in-one” risk management mechanism, a “three lines of defense” risk management mechanism, a dual risk prevention mechanism of “business system + audit system”, and a restraint mechanism of compensation delay and recovery and withholding, so as to guarantee high-quality development. Second, we improved the risk appetite management mechanism. We formulated the group risk appetite management method, group risk appetite statement and risk limit management plan, reasonably set the group risk tolerance, in order to effectively control the overall operational risks of the Group. We monitored risk appetite, managed risk limit regularly, and adjusted risk limit indicators timely, so as to ensure that risk appetite matches business development. Third, we enhanced the credit risk prevention and control. We worked hard to defuse risks in outstanding loans, actively responded to risks and challenges posed by external environmental shocks, and took various measures to maintain asset quality. We optimized the credit risk management mechanism and credit business structure, enhanced the implementation of the special shift mechanism for large group loan accounts and the high-risk customer inventory system, and improved the efficiency of the disposal of non-performing assets. Fourth, we upgraded risk prevention and control intelligence. We optimized the comprehensive risk management system, promoted the updating and iteration of monitoring functions, launched the pre-loan investigation system, carried out the second phase of the credit risk early warning project in an orderly manner, and started the construction of the non-performing assets management system.



- 2. Strengthening internal control compliance management.** First, we deepened the construction of compliance culture. We formulated the compliance culture construction plan of “strengthening benchmarking, strengthening edification, strengthening warning, strengthening learning and strengthening brand”, carried out compliance competition and education activities at different levels and categories, built a platform for sharing experience of compliance incident prevention, and innovated the compliance publicity mode in multiple dimensions. Second, we enhanced incident prevention and control management. We upgraded the five-color dynamic incident prevention and management mechanism of “green, blue, yellow, orange and red”, improved the employee behavior management, behavior investigation and integrity reporting systems, strengthened the behavior management of employees, and enhanced internal control, supervision and self-examination, in order to comprehensively consolidate the incident prevention and management. Third, we strengthened anti-money laundering risk management. We comprehensively sorted out the working system of money laundering and terrorist financing risks, upgraded the new-generation anti-money laundering list monitoring system, promoted the integration of anti-money laundering requirements into the whole process of operation management and business development, and made solid progress in various anti-money laundering work.
- 3. Enhancing audit supervision and management.** First, we promoted digital transformation of audit. Focusing on data empowerment, we promoted the construction of personnel portrait function, established a multidimensional evaluation system combining quantitative and qualitative evaluation, and constantly improved the “sky-eye” audit system. We strengthened the application basis of audit data and enriched the audit data mart. We improved the audit model base of subsidiary institutions, explored and established 65 audit models, in order to strengthen the audit supervision over subsidiary institutions. Second, we innovated the internal audit management mechanism. We gradually implemented the dual auditor mechanism of “chief business auditor + chief data auditor”, established the “one to one” audit liaison mechanism and the audit project discussion mechanism, and improved the quality of audit work by “three systems enabling”. Third, we strengthened the auditing in important areas. We strengthened the auditing in important areas such as large loans, employee behavior and financial management, further improved the coverage and accuracy of audit supervision, strengthened the application of audit results, and constantly improved the level of daily operation and management.

### III. KEY WORKS OF THE BOARD OF DIRECTORS IN 2023

The year 2023 is the first year for comprehensively and deeply implementing the spirits of the 20th CPC National Congress, the key year for the national promotion of the “14th Five-Year Plan”, and the decisive year for the conclusion of the second three-year development plan of the third transformation of Dongguan Rural Commercial Bank Group. Dongguan Rural Commercial Bank will, anchoring the primary task of “high-quality development”, and focusing on “stability” and “progress”, make best efforts to ensure the successful conclusion of the second three-year development plan of the third transformation, so as to gain driving force and advantages for the Group to start a new round of planning cycle and achieve high-quality development.

#### **(I) Taking the guidance of Party building as the rudder, we will maintain a steady course of high-quality development**

The key to accelerating high-quality development lies in the Party. We have always given high priority to strengthening the Party’s overall leadership and Party building, and have organized a strong organizational system to build a strong fortress for fighting. We will build a strong cadre team and forge a pillar of strength to overcome difficulties. We will create an operation environment that promote honesty and integrity. Adhering to the “two main lines” of “strict governance of the Party + strict governance of actions”, we will make best efforts to promote comprehensive and in-depth development of strict governance of the Party, and provide a strong political guarantee for high-quality development of the Group.

#### **(II) Based on the strategic planning, we will draw up new blueprints for high-quality development**

We will make our best efforts to complete the second three-year development plan for the third transformation, and promote the coordinated development of digital strategy, group strategy, capital strategy and talent strategy. We will take the initiative to serve the overall interests of the country and the implementation of major strategies, plan a new round of three-year development plans with high standards, accelerate the establishment of a new development pattern, and strive to become the strategic basis for high-quality development.

#### **(III) Taking the real economy as the foundation, we will serve the overall interests of high-quality development**

As the main force of the local financial sector, we will give full support to local economic and social development, balance credit growth and structural optimization, focus on products, services and innovation to increase total output and achieve precise investment at faster pace, so as to fully empower the high-quality development of the real economy. Focusing on key areas such as

providing services to the “manufacturing sector”, major projects, the Greater Bay Area, rural revitalization, private sector development and Green Guangdong, we will promote the integration of corporate business lines, the potential mining of small and micro business line, strengthening of driving force of “agriculture, rural areas and farmers” business line, and the vitality enhancement of retail business lines, so as to serve the overall situation of high-quality development of the province and the city.

**(IV) Giving priority to risk prevention and control, we will lay a solid foundation for high-quality development.**

We will keep to the bottom line, focus on preventing risks in key areas such as credit risk and liquidity risk, take precise measures and effective prevention and control measures, and effectively prepare for preventing and fending off risks. We will build a robust and efficient risk disposal system, and effectively control the risk to the minimum level, in order to promote the Group’s high-quality development to a new level.

**(V) Focusing on cost reduction and efficiency improvement, we will consolidate the foundation for high-quality development.**

We will establish the business philosophy of cost reduction and efficiency improvement, reasonably control the cost of liabilities, and vigorously reduce the expense cost, in order to ensure effective cost control, and tap the internal growth momentum. Focusing on the “Group account”, “efficiency account” and “risk account”, we will further increase benefits and improve efficiency, comprehensively and continuously improve the Group’s comprehensive profitability, and enhance the resilience, quality and efficiency of the Group’s development.

In 2022, the Board of Supervisors of the Bank thoroughly studied and implemented Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 20th Party Congress. Adhering to the unity of strengthening the leadership of the Party and improving corporate governance, the Board of Supervisors unwaveringly assisted the Board of Directors and senior management in warding off all kinds of operational challenges. The Board of Supervisors fully implemented the regulatory requirements by staying true to the original aspiration of escorting operational development with supervision. With the concerted efforts of all Supervisors, the “Checklist” supervision mechanism has achieved remarkable results and the Board of Supervisors delivered a stellar performance in all aspects of its work throughout the year. Specifically, the Board of Supervisors further perfected the governance mechanism and enhanced the supervision effectiveness, showcasing its service value. On the brand new track of handling the management power of the Bank back to the local Party committees, the Board of Supervisors played a pivotal role in promoting a new step in the strategic transformation of the whole Bank and advancing the corporate governance system and capacity. This helped safeguard the interests of the shareholders and employees of the Company.

## **I. WORK OF THE BOARD OF SUPERVISORS IN 2022**

### **(I) Ensuring the Effective Operation of Corporate Governance and Adhering to the Standard Performance of Duties**

In 2022, the Board of Supervisors got the pace right in executing various tasks and executed them in an orderly way. First, we improved the quality and efficiency of meeting supervision. We strengthened the management over the whole process of running meetings online, to insure that the matters “that should be discussed were discussed”. The Board of Supervisors organized the holding of 9 meetings throughout the year, considering 162 proposals, reviewing or listening to 113 reports. The meetings covered such aspects as the performance of duties by the Board of Directors and senior management and their members, financial decision-making and activities, strategy implementation, risk management, and internal control, ensuring the supervision over the Bank’s management. Second, we tightened the supervision over the daily process. We continuously sent our employees, on behalf of the Board of Supervisors, to attend the Board meetings, the president’s executive meeting and relevant committee meetings to obtain first-hand information about the Bank’s development strategies, business decisions, important personnel appointment and removal, risk prevention, performance of duties by senior management, etc. We earnestly supervised the legal compliance of the Board and senior management in terms of proceedings, decision-making process and information disclosure, and from a supervisory perspective, we raised concerns and made recommendations on major issues. Third, we did solid investigations researches. We organized four thematic surveys on management of related transactions, the operation and risk management of county banks, construction of a long-term mechanism for

litigation-related work, and internal branding. We conducted in-depth analysis before the research to form a research program. We specified the research focus, direction and steps to lift research quality and efficiency based on the analysis. On the basis of in-depth understanding and careful analysis, we put forward relevant work improvement opinions from multiple dimensions and formed a research report. This provided a rich material basis for business decision-making.

## **(II) Weaving the Performance Net Around the Hot Topic of the Bank's Operation and Development**

1. Focusing on the implementation of relevant strategies and ensured the effectiveness of the implementation. We closely followed up the formulation and implementation of relevant strategies, insisting that “the Board of Directors makes strategic decisions and the senior management promotes strategy implementation”. We gained a keen understanding of strategy implementation through the extensive collection and careful study of materials related to this aspect. Then, we specially evaluated the strategy implementation to test whether the efforts in promoting the strategy implementation were fruitful. Regarding the problems in strategy implementation, it was recommended that the Board of Directors and the senior management should, considering the regulatory requirements and development trends, optimize the relevant strategies, and establish of a sound mechanism for the whole process of strategy management. This would propel the implementation of the relevant strategies.
2. Helping institutions restructure and defuse risks, and promoting the improvement of development quality. We conducted in-depth research on the reform and development of Puning RCB. We had a detailed understanding of Puning RCB historical legacy and current outstanding problems, and actively promoted the supervision of problem rectification opinions. We prepared the “Report on investigation of operation and management of Puning Rural Commercial Bank by the Board of Supervisors of Dongguan Rural Commercial Bank”, and threw out suggestions such as “external transfusion” and “internal hemopoiesis”. Meanwhile, we were highly concerned about the Bank's participation in the work related to replenishing the capital of Puning RCB with special bonds. We supervised and promoted the implementation of the increased efforts by the Board of Directors in the risk management of Puning RCB, to help Puning RCB steadily dispose of the historical debts, resolve latent risks, and improve the business condition through various ways such as expressing opinions on meeting attendance.

3. Paying attention to the implementation of problem rectification, and promoting the formation of supervise and handle synergy. We attached great importance to regulatory opinions and inspection opinions from regulatory authorities, and kept refining the follow-up and supervision mechanism. **First**, we promoted the implementation of supervisory opinions. The Board of Directors and the senior management absorbed and adopted the supervisory opinions and suggestions of the Board of Supervisors, which markedly promoted the rectification of relevant problems. **Second**, we strengthened the linkage with supervisory departments. We regularly organized joint management supervision meetings to supervise the rectification of relevant problems, in light of the progress in the supervision, the Bank's supervisory rating, and the implementation of supervisory opinions. **Third**, we strengthened the communication with Directors and Supervisors. Taking into account of the actual supervision as well as regulatory requirements, we issued letters suggesting independent Directors to pay attention to subsidiary risks, large loan risks and IT risks, to jointly improve our operation and management. This consolidated the internal supervision within the Bank.
4. Being concerned about the management of the protection of consumer rights and interests, and supervising the implementation of regulatory requirements. We organized management interviews on consumer rights protection, with the comprehensive understanding on the organizational structure, system construction, product and service management, publicity and education, complaint handling, and personal financial information protection of consumer rights. In view of the increasing number of complaints, the Bank proposed the requirements and specific working suggestions of "keeping an eye on the fixed target set by the supervisory authorities to reduce the number of complaints, and making every effort to win the critical battle". We urged the division of labor and close cooperation among all departments of the Bank to form a coherent and powerful organizational system of consumer rights protection. We made meticulous efforts to ensure the implementation of various measures for consumer rights protection.

**(III) Strengthening the performance of duties by focusing on the comprehensively supervise work objectives in accordance with the law**

1. Supervising risk prevention and control as well as internal control. We reinforced the supervision over the whole process of risk management and special supervision based on the logic of comprehensive risk management. Starting from the formulation of risk management policies, we got deep understanding on various risk systems, annual risk appetite, credit and investment policies and other programmatic documents. In daily practices, we kept tabs on changes in the

Group's assets quality and compliance with key regulatory indicators and made timely management recommendations, by studying risk management reports, listening to reports on assets quality control and sending employees to attend meetings of the Loans Review Committee. At the same time, we carried out special supervision over selected key areas of great concern to the regulatory authorities, focusing successively on IT risk management, reputation risk management, operational risk management and credit risk management for special studies. We formed special supervision reports and put forward constructive optimization suggestions, which served as references for the management's decision-making and risk prevention and control. We paid close attention to the governance subject and the performance by the three lines of defense as well as the efforts in internal control, anti-money laundering and anti-terrorist financing, and listened carefully to the reports on related work and rectification.

2. Carrying out financial management and operational supervision. While paying full attention to major financial matters, we followed up on the Group's financial data and the performance of operating institutions on a quarterly basis. We participated in the review of periodic reports, profit distribution plans and other important financial documents, and expressed independent opinions in an objective and fair manner. Sticking to the Bank's internal management and business development, we strengthened the supervision over and promotion of compensation management, business continuity management, management of abnormal bond transactions, data governance, management of structured deposits, etc. With the comprehensive use of written supervision vehicles such as supervision opinion letters and work proposals of the Board of Supervisors, we urged the Board of Directors and the senior management to formulate appropriate measures and continuously improve the standardization of internal management.
3. Strengthening the development of the performance evaluation mechanism and the supervision of the performance of duties. First, we cemented the basis of the performance evaluation system. We formulated the Measures for the Performance Evaluation of Directors, Supervisors and Senior Managers of Dongguan Rural Commercial Bank Co., LTD. (2022 Version) in strict accordance with the Corporate Governance Standards of Banking and Insurance Institutions (銀行保險機構公司治理準則) and the Method for Evaluating the Performance of Duties by Directors, Supervisors and the Senior Management of Banking and Insurance Institutions (for Trial Implementation) (銀行保險機構董事監事履職評價辦法(試行)). We also put forward the evaluation principles of "scientificity, fairness and authority" and innovatively specified the calculation method for the comprehensive score of performance evaluation. Our efforts provided a more rational and operational path

for the performance evaluation, and ensured that the evaluation results were objective and fair and in alignment with the actual performance of Supervisors. Second, we organized and implemented special audits of committees under the Board of Directors and senior management. We thoroughly investigated the current situation in the performance of duties by the special committees of the Bank. From the perspective of the Board of Supervisors, we identified the risk issues, revealed the deficiencies and urged the Board of Directors and the operational management to fix the deficiencies.

## **II. Work of External Supervisors**

In 2022, the external Supervisors of the Bank, in strict accordance with the regulatory requirements and provisions of the Bank's Articles of Association, participated in the meetings and activities of the Board of Supervisors, and by making full use of their professional expertise, performed their duties objectively and impartially in accordance with the law. They put forward constructive opinions and suggestions on the strategic transformation and operational development of the Bank in the new development landscape. All in all, they played a prominent part in completing the supervisory work of the Board of Supervisors.

## **III. INDEPENDENT OPINION OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS**

### **(I) Operation According to Law**

During the Reporting Period, the Bank carried out its business activities in accordance with the law and relevant regulations, with sound operation, standard management and objective and true operating results. No violations of laws, regulations or the Bank's Articles of Association or acts detrimental to the interests of the Bank and its shareholders were found.

### **(II) Authenticity of Financial Reports**

The annual financial report has been audited by the auditor in accordance with International Auditing Standards and Chinese Auditing Standards for Certified Public Accountants. The financial report reflects the financial position and operating results of the Bank truthfully, objectively and accurately.



**(III) Risk Management**

During the Reporting Period, aiming to improve the overall level of risk management in the Bank, we continued improving the risk management of the Bank and delivered a relatively stable performance in this respect, with no major risk events. The level of risk control and management continue to increase.

**(IV) Internal Control**

During the Reporting Period, the Bank continued to strengthen and improve internal control, and the Board of Supervisors had no objection to the Bank's internal control evaluation report this year. No major defects were found in the completeness, rationality and effectiveness of the Bank's internal control system and the implementation of the internal control system.

**(V) Use of Proceeds**

During the Reporting Period, the use of proceeds raised by the Bank was in line with that mentioned in the offering circulars.

**(VI) Acquisition and Disposal of Assets**

During the Reporting Period, there was no insider transaction in the acquisition or disposal of assets by the Bank, or acts that damaged Shareholders' rights and interests or caused the loss of the Bank's assets.

**(VII) Related Party Transactions**

As for the related party transactions in the Reporting Period, the Board of Supervisors did not find any behavior that violated the principle of fairness or harmed the interests of the Bank and shareholders.

**(VIII) Implementation of Resolutions of the General Meeting**

During the Reporting Period, the Board of Supervisors had no objection to the resolutions and reports submitted by the Board of Directors to the general meeting for consideration, supervised the implementation of relevant resolutions of the general meeting, and considered that the Board of Directors of the Bank could earnestly implement the resolutions of the general meeting.

**(IX) Information Disclosure**

During the Reporting Period, the Bank performed the obligation of information disclosure in strict accordance with the requirements of regulatory policies and disclosed the Bank's information in accordance with the law. No false information, misleading statements or major omissions were found.

**(X) Social Responsibilities**

During the Reporting Period, the Bank strictly fulfilled its social responsibilities. The Board of Supervisors reviewed the Corporate Social Responsibility Report for the year of the Bank without any objection.

**(XI) Other Special Supervision and Evaluation**

In terms of capital management, the Board of Directors and senior management of the Bank continue to strengthen the management of capital operations, strengthen the orientation of capital management, and improve the quality and efficiency of asset and liability management and capital market value. As of the end of 2022, the Bank's capital adequacy ratio at all level were better than the regulatory requirements and satisfied the management requirements of the Bank, and the capital was adapted to business development and risk level.

In terms of stress testing, on the basis of regular stress testing of risks in key areas, the Board of Directors and senior management of the Bank continue to improve the working mechanism of stress testing, actively cooperate with the completion of various regulatory stress testing tasks, routinely carry out group-level risk stress testing, research and carry out environmental risk stress testing, and constantly optimize and improve the stress testing program, actively promote the use of stress testing in capital management and risk management decisions.

In terms of reputation risk management, the Board of Directors and senior management of the Bank continue to improve the reputation risk management structure, improve the reputation risk management mechanism, organize and carry out several reputational risk investigation in accordance with regulatory requirements and relevant laws and regulations. No major reputational events occurred during the Reporting Period, which creating a good external environment for the Bank's operation, management and business development.

In terms of liquidity risk management, the Board of Directors and senior management of the Bank continue to optimize the liquidity risk management work, actively strengthen the construction of liquidity risk management system and emergency exercises, and promote the continuous improvement of the group's dynamic risk management level. In 2022, the Bank continued to maintain a reasonably adequate liquidity level, various liquidity indicators were better than regulatory standards, and the maturity structure of its assets and liabilities was continuously optimized.

#### **IV. KEY WORK UNDERTAKEN BY THE BOARD OF SUPERVISORS IN 2023**

In 2023, the Board of Supervisors of the Bank will further implement the spirit of the 20th National Congress of the Communist Party of China (CPC), deeply comprehend the historical mission shouldering by the financial industry in promoting high-quality development, and fully practice the political and popular nature of financial work, so as to constantly enhance political execution and professional performance of duties. Besides, the Board of Supervisors of the Bank will adhere to the integration of the Party's leadership and corporate governance, and always carry out effective supervision according to law around the main business positioning of Dongguan Rural Commercial Bank, which supports agriculture, supports small enterprises and supports real enterprises, as well as the development positioning of listed public banks, so as to promote the Bank's corporate governance efficiency.

##### **(I) Actively monitoring and supporting high-quality development of the real economy**

The report of the 20th National Congress of CPC stressed that we continue to focus on the real economy in developing the economy. The Board of Supervisors will stick on the goal, closely focus on the actual needs of the development of the local real economy in Dongguan at the present stage, identify key areas for supervision, continue to supervise and promote the Bank to increase financial support for serving the real economy, small and micro enterprises, Sannong, rural revitalization, green development and other links, and pay specific attention to the realization of the goal of "volume increment and coverage expansion, quality improvement and cost reduction" of inclusive financial services, the in-depth development of new citizen finance and the establishment of industrial finance based on "scientific and technological innovation + advanced manufacturing". In addition, the Board of Supervisors will inspect, investigate and evaluate the Bank's support for the strategic deployment, policy formulation and implementation of the real economy through special supervision and other means, effectively playing its supervisory function.

**(II) Actively supervising and strengthening efforts to prevent and defuse financial risks**

At present, China's development has entered a period where strategic opportunities and risks and challenges coexist, and where uncertain and unpredictable factors are increasing, and the pressure of financial risk prevention and control is increasing. The Board of Supervisors will take the initiative to carefully study and judge the current macroeconomic and financial situation, broaden the scope of risk supervision, carry out risk supervision in a forward-looking manner, actively promote the mechanism and system development of comprehensive risk management, and urge the Bank to implement a series of special management requirements related to strengthening the risk prevention and control of the banking sector. We will focus on risks in the credit field, and pay attention to the credit structure and availability, risk prevention and control, and risk resolution, and strengthen supervision over risks related to off-balance sheet and non-credit financing such as wealth management investment, bond investment, and industrial funds. At the same time, we will improve the mechanism for rectification of problems, strengthen the feedback, rectification and implementation of supervision opinions, and ensure that the results of supervision are fully implemented.

**(III) Actively supervising and promoting the implementation of strategies and improving corporate governance**

The year of 2023 marks the end of the Outline of the Second Three-Year Development Plan for the Third Transformation of the Bank. The Board of Supervisors will attach great importance to testing and evaluating the effectiveness of the implementation of the existing strategic planning, help the Bank to improve strategic execution, and pay great attention to new round of strategic decision-making, actively stand on a higher supervision perspective, and put forward opinions and suggestions from the macro level, top-level design, transformation and upgrading, long-term development and other aspects, so as to supervise and ensure that our bank develops a scientific, reasonable and suitable development strategy for the company, and give full play to the strategic effects of supervision work. At the same time, the Board of Supervisors will always adhere to the principle of the Party's absolute leadership over the financial work, further enhance the independence and authority of our supervision work, keep a reasonable grasp of the direction and focus of supervision, strengthen coordination and communication of supervision, improve the efficiency of supervision, effectively supervise the performance of duties, and promote the improvement of the Bank's internal control and supervision mechanism.

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## **APPENDIX III OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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In accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Corporate Governance Standards of Banking and Insurance Institutions, and the articles of association of Dongguan Rural Commercial Bank Co., Ltd. (the “**Articles of Association**”) and other provisions, we, as the independent Directors of Dongguan Rural Commercial Bank Co., Ltd. (the “**Company**”) and under the principle of openness, fairness and objectivity, expressed our independent opinions on relevant issues of the Company as follows:

### **I. INDEPENDENT OPINIONS ON THE APPOINTMENT OF EXECUTIVE DIRECTOR**

In accordance with the requirements of the Company Law and the Articles of Association, we are of the view that Mr. Lu Guofeng, as a candidate for executive Director of the fourth session of the Board, is in compliance with the requirements of laws and regulations and the Articles of Association, and agreed to submit the relevant resolution to the general meeting for consideration.

### **II. INDEPENDENT OPINIONS ON 2022 ANNUAL REPORT**

In 2022, the Company timely, accurately, truthfully and completely disclosed the annual report, interim report and other information in strict accordance with laws and regulations, the Articles of Association and relevant provisions of various information disclosure management systems. The company conscientiously fulfilled the responsibilities in information disclosure, and agreed to submit the resolution of 2022 annual report to the shareholders’ general meeting for consideration.

### **III. INDEPENDENT OPINIONS ON APPOINTMENT OF ACCOUNTING FIRMS FOR 2023 FINANCIAL STATEMENTS**

Taking into consideration of the overall business capabilities, the familiarity of the Company’s accounting policies and other factors, the Company proposed to appoint KPMG and Pan-China Certified Public Accountants LLP as international auditor and domestic auditor of the Company for the year 2023, respectively. Relevant decision-making procedures of engagement were in compliance with the requirement of relevant laws, regulations and the Articles of Association, relevant resolution was agreed to be submitted to the shareholders’ general meeting for consideration.

### **IV. INDEPENDENT OPINIONS ON THE ESTIMATED CAPS FOR CERTAIN RECURRING RELATED PARTY TRANSACTIONS**

According to relevant regulatory regulations, the matter on estimated amount of recurring related party transactions of certain related parties has already completed the corresponding internal approval process, and is the normal business operation of the Company, which will not

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## **APPENDIX III OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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prejudice the interests of minority Shareholders, or will not have adverse effect on the current and future financial conditions of the Company or affect the independence of the Company. It is approved to submit relevant resolutions to the shareholders' general meeting for deliberation.

### **V. INDEPENDENT OPINIONS ON THE PROFIT DISTRIBUTION PLAN**

The profit distribution plan for 2022 complies with relevant laws and regulations and the relevant provisions of the Articles of Association, which is not only conducive to the long-term sustainable development of the Bank, but also fully considers the return of investors. Besides, it ensures that the Bank's capital adequacy ratio meets regulatory requirements and meets the interests of all shareholders. Therefore, it is agreed to submit the relevant resolution to the shareholders' general meeting for consideration.

**Dongguan Rural Commercial Bank Co., Ltd.**

**ZENG Jianhua, YIP Tai Him, XU Zhi, TAN Fulong, LIU Yuou, XU Tingting**

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## NOTICE OF 2022 AGM

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**DRC Bank**

**Dongguan Rural Commercial Bank Co., Ltd.\***

**東莞農村商業銀行股份有限公司\***

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

**(Stock code: 9889)**

### NOTICE OF THE 2022 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting for 2022 (the “**AGM**”) of Dongguan Rural Commercial Bank Co., Ltd. (the “**Bank**”) will be held at the conference room of Dongguan Rural Commercial Bank Building, No. 2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC on May 25, 2023 (Thursday) at 3:00 p.m. to consider and, if thought fit, to pass the following resolutions as the ordinary resolutions:

1. The Resolution in relation to Work Report of the Board of Directors of the Bank for 2022
2. The Resolution in relation to Work Report of the Board of Supervisors of the Bank for 2022
3. The Resolution in relation to Appointment of Executive Director of the Bank
4. The Resolution in relation to 2022 Annual Report of the Bank
5. The Resolution in relation to Donation to Dongguan Rural Commercial Bank Education Public Welfare Foundation to Support Dongguan Secondary School and Other Education Public Welfare Undertakings

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

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## NOTICE OF 2022 AGM

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6. The Resolution in relation to the Plan for Estimated Caps for Certain Recurring Related Party Transactions of the Bank
7. The Resolution in relation to Appointment of the Accounting Firms for 2023 Financial Statements of the Bank
8. The Resolution in relation to 2022 Final Financial Accounts Plan of the Bank
9. The Resolution in relation to 2022 Profit Distribution Plan of the Bank
10. The Resolution in relation to 2023 Financial Budget Plan of the Bank

**Board of Directors**  
**Dongguan Rural Commercial Bank Co., Ltd.**

Dongguan City, Guangdong Province, the PRC  
May 4, 2023

*Notes:*

1. For more details on the above proposed resolutions, please refer to the circular of the 2022 AGM of the Bank dated May 4, 2023.
2. **Closure of H share register of members**

As announced in the announcement of the Bank dated April 6, 2023, for the purpose of determining the entitlement of holders of H shares (“**H Shareholders**”) of the Bank to attend the AGM, the H share register of members of the Bank will be closed from April 25, 2023 (Tuesday) to May 25, 2023 (Thursday) (both days inclusive), during which period no transfer of H shares will be registered. The holders of H shares whose names appear on the H shares register of members of the Bank on May 25, 2023 (Thursday) are entitled to attend and vote at the AGM. In order to be eligible to attend and vote for at the AGM, all transfers of H shares together with relevant share certificates must be delivered to the Bank’s H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on April 24, 2023 (Monday).

For the purpose of determining the entitlement of H Shareholders to the 2022 final dividend, the H shares register of members of the Bank will be closed from June 1, 2023 (Thursday) to June 6, 2023 (Tuesday), both days inclusive, during which period no transfer of H shares will be registered. In order to qualify for the 2022 final dividend, all H share transfer documents together with the relevant share certificates must be lodged with the Bank’s H shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration, no later than 4:30 p.m. on May 31, 2023 (Wednesday).

3. **Reply slip**

H Shareholders who wish to attend the AGM in person or by proxy are required to return the reply slip for the AGM to the Bank’s H share registrar, Computershare Hong Kong Investor Services Limited, on or before May 15, 2023 (Monday) at 4:30 p.m. at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. The reply slip for H Shareholders is enclosed with the circular of the 2022 AGM of the Bank dated May 4, 2023, and can be downloaded from the websites of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) at [www.hkexnews.hk](http://www.hkexnews.hk) and the Bank at [www.drcbank.com](http://www.drcbank.com).



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## NOTICE OF 2022 AGM

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### 4. Proxy

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead, subject to the Articles of Association of the Bank. The form of proxy for H Shareholders is enclosed with the circular of the 2022 AGM of the Bank dated May 4, 2023, and can be downloaded from the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Bank at [www.drcbank.com](http://www.drcbank.com). A proxy need not be a member, but must attend the AGM in person to represent the shareholder. If more than one proxy is so appointed, a photocopy of proxy form may be used and specify therein the number of shares in respect of which each such proxy is so appointed.

To be valid, the proxy form together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power of attorney or authority (if any) must be lodged at the H Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, whose address is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time fixed for holding the AGM (for H Shareholders) (or 48 hours before any adjournment thereof, if any).

Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the AGM or any adjournment thereof if he so wishes, but in such event the instrument appointing a proxy shall be deemed to be revoked.

Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting, whether in person or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Bank in respect of the joint holding.

### 5. Registration procedures for attending the AGM

Individual shareholders who wish to attend the meeting in person shall produce their identity cards or other effective document or proof of identity and share certificates. Proxies of individual shareholders shall produce their effective proof of identity, copy of shareholder identify, power of attorney and share certificates. A corporate shareholder should attend the meeting by its legal representative or proxy appointed by the legal representative. A legal representative who wishes to attend the meeting should produce his/her identity card or other valid documents evidencing his/her capacity as a legal representative and share certificates. If appointed to attend the meeting, the proxy should produce his/her identity card and an authorization instrument duly signed by the legal representative of the corporate shareholder and share certificates.

6. To enhance the efficiency of the meeting, the AGM will not have an on-site question-and-answer session. If shareholders have any questions about the Board of the Bank, please send the questions together with personal information and share certificate to the mailbox [gddh@drcbank.com](mailto:gddh@drcbank.com) before May 15, 2023 (Monday). The Board of the Bank will try its best to answer the questions at the AGM according to the actual situation.

7. For relevant matters regarding domestic shareholders of the Bank attending the AGM, please refer to the notice of domestic shareholders otherwise issued by the Bank.

*As at the date of this notice, the Board of Directors of the Bank comprises Mr. FU Qiang and Mr. YE Jianguang as executive directors; Mr. LAI Chun Tung, Mr. WANG Junyang, Mr. CAI Guowei, Mr. YE Jinqun, Mr. CHEN Haitao, Mr. ZHANG Qingxiang, Mr. CHEN Weiliang and Mr. TANG Wencheng as non-executive directors; Mr. ZENG Jianhua, Mr. YIP Tai Him, Mr. XU Zhi, Mr. TAN Fulong, Ms. LIU Yuou and Ms. XU Tingting as independent non-executive directors.*