***You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose part or even all of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which in some respects may differ from those prevailing in other countries. For more information concerning the laws and regulatory systems of the PRC and certain related matters discussed below, please see "Supervision and Regulation", Appendix IV — "Summary of Principal Legal and Regulatory Provisions" and Appendix V — "Summary of Articles of Association".***

## RISKS RELATING TO OUR BUSINESS

**We generated a substantial portion of our revenue in Dongguan, where our business and operations are primarily concentrated. As such, we face uncertainties associated with national and local government policies and measures which are adopted to promote local economic development.**

Our business and operations are primarily concentrated in Dongguan. As of December 31, 2018, 2019 and 2020 and March 31, 2021, 94.7%, 82.1%, 81.9% and 80.0% of our loans, and 98.8%, 99.1%, 84.9% and 84.6% of our deposits was originated in Dongguan, respectively. For details, please see "Assets and Liabilities — Assets — Loans and Advances to Customers — Distribution of Loans to Customers by Geographical Region" and "Assets and Liabilities — Liabilities and Sources of Funds — Deposits from Customers — Distribution of Deposits by Geographical Region". In addition, 501 out of the 505 outlets of our Bank were located in Dongguan as of the Latest Practicable Date. While our business originated outside of Dongguan has been gradually increasing, most of the business and operations of our Bank will remain in Dongguan and Guangdong Province for the foreseeable future. Therefore, our continued growth depends to a large extent on the economy of Dongguan and Guangdong Province. We are exposed to risks arising from concentration of credit in Dongguan and Guangdong Province in terms of distribution of customers and geographical coverage. Any adverse change in the economic development of or any significant natural disaster or catastrophic event occurring in Dongguan or Guangdong Province may materially and adversely affect our business, financial condition or results of operations.

We have no control over whether the PRC government will maintain its favorable policies in promoting the development of Guangdong Province and Dongguan. For instance, in February 2019, the State Council issued the *Outline of Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* (《粵港澳大灣區發展規劃綱要》), which is expected to be beneficial to the economic development of Dongguan. Any discontinuation or unfavorable change in such policies may adversely affect our business, financial condition or results of operations.

Moreover, our competitiveness for customers outside Dongguan and customers that are national-level state-owned enterprises is likewise limited by the relatively few number of branches outside Dongguan.

**Our financial condition and results of operations depend significantly on our ability to continue to maintain and improve the quality of our loan portfolio. Also, our allowance for expected credit losses on loans may not be sufficient to cover the actual losses on our loan portfolio in the future. Significant deterioration of our loan portfolio quality and increases in our allowance for expected credit losses on loans could have a material adverse effect on our financial position and results of operations.**

During the Track Record Period, we generated a significant portion of our profit from interest income of loans to customers. Interest income from loans to customers was RMB8,598.4 million, RMB10,149.5 million, RMB12,728.3 million, RMB3,028.5 million and RMB3,510.9 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, respectively, representing 53.4%, 58.5%, 65.2%, 63.7% and 66.2% of our interest income in the same periods. In addition, loans to customers constitute a significant portion of our assets. Our net balances of loans and advances to customers were RMB157,445.7 million, RMB198,970.6 million, RMB254,641.8 million and RMB268,689.9 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively, representing 38.6%, 43.1%, 46.4% and 47.6% of our total assets as of the same dates. As such, if the quality of our loan portfolio deteriorates and results in the increase in provision for expected credit losses due to impairment increase, our financial condition and results of operations could be materially and adversely affected. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our NPL ratio was 1.27%, 1.00%, 0.82% and 0.79%, respectively.

The quality of our loan portfolio may be affected by a variety of factors beyond our control, including the fluctuation in the global economy, a general slowdown of the economy of the PRC, Guangdong Province or Dongguan, negative developments in a particular market or industry, economical policies imposed by the PRC government on certain industries, mass fluctuation in capital markets and outbreaks of natural disasters in the PRC and other regions. Any of such factors could lead to the deterioration of the financial condition, business operations or liquidity of our customers, counterparties or our ultimate financing parties, or our ability to realize the value of our collateral or guarantees securing the assets. In addition, a significant increase in NPL could lead to a decrease in our loan interest income and increases in provision for impairment loss and loan write-offs. For details, please see "— The recent outbreak of the contagious COVID-19 in the PRC and worldwide may have an adverse effect on our business, financial condition and results of operations". Our allowance for impairment losses on loans and advances to customers was RMB7,211.7 million, RMB7,294.5 million, RMB7,340.8 million and RMB7,652.6 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively, and our allowance coverage ratio was 345.74%, 389.57%, 375.13% and 376.90% as of the same dates and our allowance to total loan ratio for our customer loans was 4.39%, 3.88%, 3.06% and 2.99%, respectively, as of the same dates. The amount of allowance for expected credit losses is based on our assessment of various factors affecting the quality of our loan portfolio under the applicable accounting principles. The factors we take into consideration include our borrowers' operational and financial condition, repayment ability and repayment intention, the realizable value of any collateral and the ability of the guarantors of our customers to fulfil their obligations, as well as China's economic, legal and regulatory environment. Many of these factors are beyond our control, and therefore our assessment and expectations on these factors may differ from their future developments.

In addition, our allowance for expected credit losses may increase as a result of changes in future regulatory and accounting policies, deviations in loan classification, or adoption of a more conservative provisioning practice. In particular, according to the classification of financial assets under IFRS 9, we are required to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as "amortized cost" or "fair value through other comprehensive income" under IFRS 9, we are required to apply an expected credit losses model under IFRS 9 which uses more forward looking information instead of an objective evidence of impairment as a precondition for recognizing credit losses. For details, please see "— Risks Relating to Our Business — Changes in accounting standards or policies, including, among other things, adoption of expected credit loss model under IFRS 9, may require us to change our provisioning practice for impairment on financial assets". Any of the foregoing could reduce our profit and in turn have a material adverse effect on our financial position and results of operations.

**We mainly rely on customer deposits to fund our business, and the decrease of such deposits may reduce our funding sources and our ability to extend new loans and meet the required liquidity.**

As a commercial bank, customer deposits are our primary funding source. We rely on the growth in customer deposits to expand our loan business and meet other liquidity needs. Decreases in customer deposits will reduce our funding source, which, in turn, will reduce our ability to extend new loans while meeting liquidity requirements. In recent years, our customer deposits have continued to grow. Our total customer deposits amounted to RMB265,004.9 million, RMB314,217.0 million, RMB377,548.9 million and RMB389,641.3 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. However, there are various factors affecting the growth in our deposits, some of which are beyond our control, such as economic and political conditions, the availability of alternative investment products and changes in customers' preference for savings, etc. As a result, there can be no assurance that we will be able to maintain the growth in our customer deposits at a pace that is sufficient to support our expanding business. In particular, we may not be able to attract or retain adequate corporate deposits under a tightened credit environment, where higher financing costs and difficulty in raising capital may result in increased corporate deposit withdrawals and corporations may be less willing or able to place deposits. In such cases, our liquidity, results of operations and financial conditions may be adversely affected.

In addition, the maturity dates of our liabilities did not match those of our assets. As of March 31, 2021, 79.0% of our total customer deposits was demand deposits or time deposits due within one year. As of the same date, 36.7% of our gross loans to customers amount (exclusive of interest accrued) was due within one year. Based on our experience, a major portion of our short-term customer deposits are rolled over upon maturity, and these deposits represent a relatively stable source of funding. However, due to the increased availability of wealth management products and other investment products on the PRC financial markets, as well as the financial disintermediation in recent years, certain customers may withdraw their deposits and invest in such alternative products.

Other factors which are beyond our control, including but not limited to increases in benchmark interest rates, may also affect our customer deposits and increase our funding cost. For details, please see "— Further liberalization of interest rates, PBoC's adjustments to the benchmark interest rates, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our financial condition and results of operations" and "— Change in the PRC interbank market liquidity, volatility in interest rates and the financial condition of other banks and other financial institutions could significantly increase our borrowing costs and materially and adversely affect our liquidity and financial condition". If we are unable to maintain the growth rate of our customer deposits, or a substantial portion of our customers withdraw their demand deposits or do not roll over their time deposits upon maturity, our ability to meet capital and other liquidity requirements may be materially and adversely affected and, as a result, we may need to seek funding from alternative sources, which may not be available on reasonable and fair terms. As a result, our business, financial condition and results of operations may be materially and adversely affected.

**If we fail to properly regulate the rate at which we expand our business, our liquidity position and ability to meet capital liquidity requirements may be materially and adversely affected.**

Our total loan and advances to customers have experienced significant growth during the Track Record Period. Our net balances of loan and advances to customers were RMB157,445.7 million, RMB198,970.6 million, RMB254,641.8 million and RMB268,689.9 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively, representing 38.6%, 43.1%, 46.4% and 47.6% of our total assets as of the same date, respectively. During the Track Record Period, we also granted more medium-to-long term loan and advances to our customers. As of March 31, 2021, 63.3% of our loans and advances to customers, totaling RMB174,499.2 million, had remaining maturities of more than one year.

As we continue to develop and expand our business, together with the increasing need for liquidity from our customers in the face of the economic difficulties resulting from the outbreak of COVID-19, we may grant more loans with longer maturities. If we fail to properly regulate the rate at which we extend loan and advances to our customer, such increase in the amount of loan and advances with possible longer maturities may put pressure on our liquidity position. We recorded net decrease in cash and cash equivalents in the amount of RMB179.0 million, RMB4,070.5 million and RMB2,363.6 million for the year ended December 31, 2019 and for the three months ended March 31, 2020 and 2021, respectively. We recorded a net increase in cash and cash equivalents in the amount of RMB6,004.4 million for the year ended December 31, 2020. Such increases in loan and advances to our customers may also cause difficulties for us to meet the capital liquidity requirements set by relevant authorities and increase our overall liquidity risks. Furthermore, the emergence of negative public opinion towards us in the market can adversely affect our liquidity position due to bank run that caused by the panic and fear of our customers. Our capital liquidity can also be negatively impacted by the decline of high-quality liquid assets, the conversion of regular loans to non-performing loans which is due within one month, and the mass early withdrawal of term deposits. For details on the capital liquidity requirements, please see "Supervision and Regulation — Other Operational and Risk Management Ratios".

**We face concentration risks from our credit exposure to certain industries and borrowers, and our investments in rights to earnings on credit assets and fund investments.**

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our corporate loans represented 58.1%, 52.3%, 52.3% and 52.5%, respectively, of our total loans and advances to customers (exclusive of accrued interest). As of December 31, 2018, 2019 and 2020 and March 31, 2021, our corporate loans to enterprises in the top five industries, namely, manufacturing industry, leasing and business service industry, wholesale and retail industry, construction industry and real estate industry, accounted for approximately 83.4%, 83.5%, 78.9% and 80.8% of our total corporate loan amount. As of the same date, the NPL to these industries accounted for 74.8%, 58.6%, 69.5% and 71.0% of total NPL of our corporate loans, respectively. For details, please see "Assets and Liabilities — Assets — Asset Quality of Our Loan Portfolio — Distribution of Non-Performing Corporate Loans by Industry." A prolonged downturn in any of these industries could undermine the quality of the existing loans and our ability to extend new loans. For example, the manufacturing industry weights a significant portion of the Dongguan's economy. If the trade war between China and U.S. continues to heat up or labor costs rise sharply, it may lead to the decline of Dongguan's manufacturing industry, and some enterprises currently in Dongguan may move to other regions, which may lead to a decrease in loans amount and asset portfolio quality of our Bank and therefore could materially and adversely affect our business, financial condition or results of operations.

As of March 31, 2021, loans to our ten largest single borrowers totaled RMB12,212.8 million, representing 26.5% of our regulatory capital and were all classified as normal. As of the same date, our loans to our ten largest group customers totaled RMB27,273.9 million, representing 59.2% of our regulatory capital and were all classified as normal. For details, please see "Assets and Liabilities — Assets — Loans and Advances to Customers — Borrower Concentration". If these loans deteriorate in quality or become non-performing, our asset quality could deteriorate significantly, and our financial condition and results of operations could be materially and adversely affected.

Furthermore, we may face concentration risk from our investments in rights to earnings on credit assets and fund investments. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the five largest rights to earnings on credit assets accounted for 59.7%, 66.2%, 78.1% and 85.0% of our total investment in rights to earnings on credit assets, respectively. As of the same date, the five largest managers of the funds invested by us amounted to 100.0%, 73.3%, 53.6% and 53.0% of our total investment in fund investments. For details, please see "Assets and Liabilities — Assets — Financial Assets — Investment Concentration". Any deterioration in the business or financial condition of any of the ultimate borrowers could undermine the quality of our investment, and our financial condition and results of operations could be materially and adversely affected.

**The recent outbreak of the contagious COVID-19 in the PRC and worldwide may have an adverse effect on our business, financial condition and results of operations.**

The recent outbreak of COVID-19 has adversely affected the general economy of the PRC and the world and our normal business activities. The PRC and many other regions around the world have implemented measures such as mandatory quarantine, travel restrictions and closure of borders in an effort to mitigate the impact of the epidemic. Economic activities in major regions where our business operates have decreased significantly. Such measures directly caused dynamic adjustments to the business hours and operation modes of our outlets. For example, We strictly abide by the PRC government's classification of COVID-19 pandemic in local situations and implemented prevention and control measures pursuant to different zoning and pandemic classifications. During the strict epidemic prevention and control period, customers can make appointments in advance and visit the designated branches at the specified time to attain financial services subject to our satisfaction of the needs and health condition of customers. As of March 2020, we have fully resumed to normal business operations. Additionally, we also promote the use of digitalized financial service, thus to encourage our customers to attain and conduct their business transactions through online channels. Please see "Summary — Recent Developments" for more details regarding the policies and measures that we implemented to prevent and contain the COVID-19 pandemic. In addition, such measures may also adversely affect the financial conditions and liquidity of our customers, especially for loans to SMEs that account for approximately 62.0% of our corporate loans as of March 31, 2021. As a result, our loan portfolio and asset quality may be adversely affected.

To mitigate the economic impact of the outbreak of COVID-19, the central and local governments of the PRC have issued a series of supporting policies to alleviate the situation, including encouraging banks and financial institutions to strengthen their credit support for affected enterprises and individuals. We have also launched a series of corresponding measures accordingly. On January 31, 2020, PBoC, MOF, CBIRC, CSRC and SAFE jointly issued the "Notice on Further Strengthening Financial Supports to Prevent and Control Novel Coronavirus Infection Pneumonia Outbreak (《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》)" to require financial supports on prevention and control works. On February 15, 2020, CBIRC announced that it may raise regulatory tolerance of banks' non-performing loans to businesses facing liquidity difficulties due to COVID-19. On February 6, 2020, the General Office of Dongguan COVID-19 Pandemic Prevention and Control Command Centre (東莞市新冠肺炎疫情防控指揮部辦公室) promulgated "The Notice of the Enforcement of Responsibilities Regarding the Resumption of Work and Production of Enterprises and Strengthening the Pandemic Prevention and Control" ("《關於落實主體責任做好企業復工復產加強疫情防控的通知》"), which supports and facilitates the resumption of work and production of enterprises under the condition that the prevention and control measures are well-implemented. The implementation of these measures may adversely affect the maturity profile of our loan portfolio, asset quality and liquidity position. In June 2020, PRC Government called on banks and other financial institutions to surrender part of their profits through offering loans with lower interest rates, reducing fees, deferring loan repayments and granting unsecured loans to small businesses, which could adversely affect the business, financial condition and results of operations of PRC banking institutions, including us. We cannot predict whether and how such measures and instructions will be modified. In addition, our efforts to comply with such measures and instructions will affect our business decisions and the relationship between the customers and us and we cannot predict what effects and to what extent such changes may affect our business. For more details, please see "— We are exposed to risks arising from loans granted to SMEs".

In light of the COVID-19 situation, we implemented measures to defer the repayment on principal and interest for loans, which lowered our cash inflow from loan repayment. In response to the Deferral Notices, as of June 30, 2021, our Group has implemented deferral of repayment arrangements for its loans with principal amount of RMB2,441.8 million and interests of RMB172.0 million. Additionally, our application of relending of loans from PBoC requires the pledging of high-quality liquid assets, which reduce our realizable financial assets as a result. As of March 31, 2021, our liquidity ratio was 74.7%, which was significantly higher than 25% as required by the regulatory authority and our short-term capital liquidity was relatively sufficient.

We will continue to monitor and adjust our assessment of the development of COVID-19. If COVID-19 adversely affects the macroeconomics of the PRC and the world and our normal business activities continuously or even more seriously, it may have a material and adverse impact on the business operation, financial condition and results of operations of ourselves and our customers.

**We are exposed to risks arising from loans granted to SMEs.**

We are exposed to credit risks arising from loans granted to SMEs. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our corporate loans to SMEs represented approximately 65.9%, 63.3%, 60.4% and 62.0% of our total corporate loans as of the same dates, respectively. In particular, as of December 31, 2018, 2019 and 2020 and March 31, 2021, our NPL to SMEs was approximately RMB1,479.8 million, RMB1,191.7 million, RMB907.7 million and RMB935.1 million, representing approximately 82.9%, 72.8%, 70.7% and 74.5% of our total NPL of corporate loans of the same dates, respectively. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our NPL ratio of loans to SME was approximately 2.35%, 1.75%, 1.10% and 1.08%, respectively, higher than our NPL ratio of total loans as of the same dates, which was approximately

1.27%, 1.00%, 0.82% and 0.79%, respectively. Compared with large enterprises, SMEs are generally more vulnerable to macroeconomic fluctuations due to their limitation of financial, management or other resources necessary to withstand the adverse effects brought by economic slowdown or changes in the regulatory environment. For instance, the outbreak of COVID-19 may result in a fluctuation in macroeconomic and has an adverse impact on the repayment abilities of SMEs. For details, please see "— The recent outbreak of the contagious COVID-19 in the PRC and worldwide may have an adverse effect on our business, financial condition and results of operations". In addition, we may not be able to obtain all the information on SMEs which is necessary for us to assess their credit risk. Our NPL may increase significantly as a result of the slowdown in the PRC's economic growth or unfavorable changes in the business and regulatory environment on our SME customers, which may materially and adversely affect our business, financial condition or results of operations.

**We are exposed to risks associated with any significant or protracted downturn in, or change in government policies adversely affecting, the real estate market in the PRC.**

We are exposed to risks associated with the real estate sector in China, in particular, from corporate loans extended to the real estate industry, residential mortgage loans and other loans secured by real estate. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our corporate loans to the real estate industry accounted for approximately 8.8%, 8.6%, 7.9% and 8.8%, respectively, of our total corporate loans. We recorded NPLs of nil, nil, RMB4.1 million and RMB4.3 million as of December 31, 2018, 2019, 2020 and March 31, 2021, respectively, for our corporate loans to the real estate industry, representing 0.00%, 0.00%, 0.04% and 0.03% of the amount of our total corporate loans to real estate industry as of the same dates, respectively. For details, please see "Assets and Liabilities — Assets — Distribution of Non-Performing Corporate Loans by Industry". As of December 31, 2018, 2019 and 2020 and March 31, 2021, our residential mortgage loans amounted to RMB23,568.3 million, RMB32,441.2 million, RMB37,665.4 million and RMB39,788.3 million, which accounted for 47.6%, 40.5%, 38.4% and 37.9% respectively, of our total personal loans. As of the same dates, our NPL ratio of residential mortgage loans was 0.25%, 0.20%, 0.73% and 0.67%, respectively. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our loans mortgaged by real estate accounted for 48.5%, 50.5%, 51.9% and 52.1%, respectively, of our total loans and the NPL ratio of such loans mortgaged by real estate was 1.00%, 0.64%, 0.73% and 0.64%, respectively. The PRC government has imposed, and may continue to impose, various macroeconomic policies to regulate the real estate market. For instance, on August 25, 2019, PBoC issued an announcement (PBoC Notice (2019) No.16) regarding the interest rate for newly extended mortgage loans, promulgating that since October 8, 2019, newly extended mortgage loans shall be priced by adding basis points to the LPR of corresponding maturity quoted in the previous month. The interest rate of residential mortgage loans for the first residential property shall not be lower than the LPR of corresponding maturity, and that of the second residential property not be lower than the LPR of corresponding maturity plus 60 basis point. Further, the interest rates of the loan for commercial properties shall not be lower than the LPRs of corresponding maturities plus 60 basis points, and no adjustments shall be made to the interest rates of housing provident fund for residential properties for the time being. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. On December 28, 2019, PBoC announced that a benchmark floating interest rate of loans has been implemented with effect from March 2020. On December 28, 2020, the PBoC and CBIRC promulgated the Notice of PBoC and CBIRC on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (《中國人民銀行、中國銀行保險監督管理委員會關於建立銀行業金融機構房地產貸款集中度管理制度的通知》). The PBoC and CBIRC shall implement categorized management on the centralization of real estate loans based on the asset scale and type of organization of the financial institutions in the banking industry, among which the maximum proportions of real estate loans for large and medium cities and urban rural cooperative organizations and personal residential mortgage loans shall be 22.5% and 17.5%, respectively. For details, please see "Supervision and Regulation — Regulations on Principal Activities of Commercial Banks — Lending." Such measures may adversely affect the financial condition, liquidity and repayment capability of our customers in the real estate industry and in turn slow down the growth of our loans extended to the real estate industry. These measures may also reduce the demand for residential mortgage loans in China. In addition, any significant decline in property prices in China may have a material adverse effect on the asset quality of our corporate loans to customers in the real estate industry and residential mortgage loans. If the real estate market in China experiences a significant downturn, the value of the real estate as collateral for our loans may decrease to a level insufficient to cover the principal of and interest on the loans, which could lead to our inability to recover all or part of principal and interest if the borrower defaults. Measures we took to control our risks associated with the real estate industry may not be effective or sufficient to protect us against the effects of any fluctuation in China's real estate sector.

**A portion of our loans and advances to customers are not secured by collateral or guarantee, and the collateral or guarantees of other loans may not be sufficient or fully realizable.**

As of December 31, 2018, 2019 and 2020 and March 31, 2021, 91.8%, 86.3%, 87.3% and 87.6% of our loans and advances to customers were secured by mortgages, pledges and guarantees, respectively. The collateral securing our loans and advances to customers primarily consisted of land use rights, buildings and houses, machinery and equipment, equity securities, bonds, certificates of deposit and other assets. The value of the collateral securing our loans may fluctuate and decline due to various factors beyond our control, such as fluctuation in financial market or property value of a certain geographic area. For instance, a slowdown in the PRC economy may lead to a downturn in the real estate market, which may in turn result in declines in the value of the real estate securing our loans to levels below the outstanding principal balance of such loans. Moreover, the prospects of the real estate industry and the values of real estates in the PRC are significantly affected by governmental macroeconomic policies, such as the benchmark interest rate and credit policies. In addition, there can be no assurance that our assessment of the values of collateral will be accurate at all times, in particular collateral with low liquidity. If our collateral proves to be insufficient to cover the related loans, we may have to obtain additional collateral from the borrowers and there is no assurance that we would be able to do so. Declines in the price of our collateral or our inability to obtain additional collateral may result in additional allowance for loan impairment, which may materially and adversely affect our business, financial condition or results of operations.

In the PRC, the procedures for liquidating or otherwise realizing the value of collateral may be time-consuming, the value of collateral may not be fully realized, and it may be difficult to enforce claims in respect of such collateral. In addition, under certain circumstances, claims by other creditors may be senior or have priority over our claims to the same collateral securing our loans, especially if our rights under such collateral have not been registered pursuant to relevant PRC laws and regulations. All of the foregoing factors could adversely affect our ability to realize the value of the collateral securing our loans in a timely manner or at all.

Our guaranteed loans are guaranteed but generally not secured by collateral or other security interests. In addition, some of the guarantees are provided by affiliates of the relevant borrower, so that certain factors which result in a borrower's inability to repay a guaranteed loan in full and on time may also affect the guarantor's ability to fully perform its guarantee obligations and, therefore, expose us to additional risks. Moreover, we are subject to the risk that a court or any other judicial or government authority may declare a guarantee invalid or otherwise decline or fail to enforce such guarantee. Therefore, we are exposed to the risk that we may not be able to recover all or part of our guaranteed loans. If we are unable to dispose of assets of borrowers and guarantors or if the guarantors fail to fully perform their guarantee obligations on a timely basis, our business, financial condition or results of operations may be adversely affected.

As of March 31, 2021, unsecured loans accounted for 12.4% of our loans and advances to customers. We grant such unsecured loans mainly based on our credit evaluation of such customers. We cannot assure you that our credit assessments of such customers are or will be accurate at all times, or that such customers will repay their loans in full and on time. As we only have general claims on the assets of defaulting borrowers under unsecured loans, we are exposed to a relatively high risk of losing the entire amounts outstanding under such loans, which may adversely affect our business, financial condition or results of operations.

**Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.**

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks, including the recent outbreak of COVID-19 across China and around the world, could result in a widespread health crisis that could materially and adversely affect the economy and financial markets.

Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors could have an adverse effect on the overall business sentiment and environment, lead to uncertainties in the regions where we conduct business, and materially and adversely affect our business, financial condition or results of operations.

**We are exposed to risks inherent to rural banking business, and in particular, Sannong (三農) -related loans.**

One of our key strategies has been and continues to be focusing on opportunities arising from the development in the rural area. As of March 31, 2021, Sannong-related loans amounted to RMB32,275.4 million.

As a manufacturing city, Dongguan is characterized by low proportion of traditional agriculture business, high urbanization rate and high family income in rural areas, which is different from the traditional Sannong characteristics of China. Our rural banking business is highly correlated to the modern Sannong development of Dongguan, and may be exposed to risks that certain the Village Groups of Dongguan may be unable to repay loans due to high liabilities. In addition, the Village Group residents' preference to use online banking channels may negatively impact the operations of our outlets and channels, and preference to investment by Village Group residents may also negatively impact our deposit growth.

As of March 31, 2021, the NPL ratio of our loans to Sannong businesses was approximately 0.70%. Balances of our loans to Sannong businesses shall maintain an annual increase in accordance with the applicable requirements of regulatory authorities. These regulatory measures may affect our ability to optimize our capital deployment and improve our customer mix, which may in turn adversely affect our profitability and financial condition. In addition, if CBIRC promulgate any mandatory requirements on loans to Sannong businesses of rural commercial banks in the PRC, and we are unable to comply with the related requirements, CBIRC may reject our application for licenses of new banking business, impose restrictions on our business or investing activities or implement more stringent regulatory measures on us, which may materially and adversely affect our business, results of operations and financial condition.

**We are subject to risks relating to our interbank business.**

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balances of our financial assets held under resale agreements and deposits and placements with banks and other financial institutions amounted to RMB15,033.6 million, RMB21,299.7 million, RMB18,707.4 million and RMB19,338.9 million, representing 3.7%, 4.6%, 3.4% and 3.4% of our total assets as of the same dates, respectively. We are exposed to credit risks in our interbank business as a result of default by counterparties, being banks and other financial institutions, which may be attributable to a broad range of factors beyond our control, including, without limitation, deterioration of general economic or social conditions, liquidity crisis in the interbank market, or credit deterioration, operational failure or bankruptcy of the relevant counterparties.

According to relevant PRC laws and regulations, including the Circular on Regulating Interbank Businesses of Financial Institutions (《關於規範金融機構同業業務的通知》) (銀發[2014]127號) jointly issued by the PBoC, CBRC, CSRC, CIRC and SAFE on April 24, 2014 (the "**Circular 127**"), the net balance of interbank lending of a commercial bank to a single incorporated financial institution (excluding interbank deposits for settlement purposes), after deducting assets with zero risk weight, shall not exceed 50% of its tier-one capital. The balance of interbank borrowing of a commercial bank shall not exceed one-third of its total liabilities. Subject to the aforementioned laws and regulations and other applicable requirements, we may not be able to acquire sufficient short-term funds from the interbank market at all times, and regulatory authorities may impose further restrictions on interbank business and interbank borrowing. As a result, our funding costs may increase, which may materially and adversely affect our liquidity and profitability.

**We are subject to risks relating to our investments in debt securities.**

During the Track Record Period, our total debt securities investment consisted of a major portion of the total financial investments. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our total debt securities investment amounted to RMB167,140.6 million, RMB173,654.7 million, RMB198,595.1 million and RMB200,165.7 million, respectively, representing 89.8%, 90.1%, 88.4% and 87.9% of our total financial investment (including accrued interest), respectively. During the Track Record Period, our debt securities have been classified as financial investments at amortized costs, financial investments at fair value through profit or loss, or financial investments at fair value through other comprehensive income under IFRS 9.

Our debt securities investments consist of debt securities issued by the PRC government, commercial banks and other financial institutions, PRC corporate issuers, and interbank certificates of deposits issued by PRC banking institutions. Debt securities issued by the PRC central and local governments constitute the major part of our investments in debt securities, which are considered to be low-risk debt securities as their repayment is financed by the central and local governments. On the other hand, repayments of debts securities issued by private enterprises mainly depend on the financial status of the respective private enterprises, which bears higher risk such as disruption to the capital chain. Therefore, debt securities issued by PRC central and local governments are usually considered to have comparatively lower risk than debt securities issued by private enterprises.

In recent years, as a result of changes to the regulatory regimes and market conditions, additional investment products have been introduced to the market, such as trust plans, asset management plans, wealth management products issued by financial institutions, investment funds, asset-backed securities, and beneficiary certificates. We adopted prudent risk management policies for our investment in wealth management plans through fund companies and securities companies, including pre-investment selection and evaluation on such fund companies and securities companies. However, there are certain risks pertinent to such fund companies and securities companies that are beyond our control, such as potential breach of our investment contracts regarding investment portfolios and misappropriation of funds. On the other hand, investments in equity products by commercial banks are still subject to strict restrictions. Restrictions on the ability to diversify the investment portfolio of commercial banks in China, including us, may limit our ability to seek optimal returns.

Furthermore, various factors may lead to fluctuation in the value of debt securities we invest in, including (i) the issuer's failure to make repayment; (ii) lack of liquidity; (iii) inflation; (iv) an increase in the current or expected market interest rate or change in other economic condition; and (v) changes in relevant government policies. We hold the write-down eligible tier-two capital bonds (with write-down clause) issued by other PRC commercial banks, with the amount of RMB903.49 million as of March 31, 2021. Upon the occurrence of the triggering events under the write-down clause, the issuer shall have the right to irrevocably write down the principal amount of the bonds and other tier-one capital instruments issued in full without the consent of bondholders from the day following the date of the triggering events. Any accumulated unpaid interest will not be paid either. Such regulatory triggering events include (i) CBRC believes that the issuer could not survive without write-down; and (ii) the relevant authorities believe that the issuer could not survive without capital injection from the public sector or furnishing support with equal effects. When the principal amount of the bonds has been written down, the bonds are permanently cancelled and will not be reinstated under any conditions. If the value of any debt securities we invest in significantly declines, our asset quality, financial condition, and results of operations may be materially and adversely affected.

**We are subject to risks relating to our investments in rights to earnings on credit assets and fund investments.**

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our rights to earnings on credit assets amounted to RMB11,566.8 million, RMB7,694.2 million, RMB4,783.7 million and RMB4,362.2 million, representing 6.2%, 4.0%, 2.1% and 1.9% of our total financial assets (exclusive of accrued interest), respectively. As of the same dates, the balance of our fund investments amounted to RMB6,423.5 million, RMB10,215.3 million, RMB20,496.9 million and RMB22,358.5 million, representing 3.4%, 5.3%, 9.1% and 9.8% of our total financial assets (exclusive of accrued interest), respectively. For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, interest income from such rights to earnings on credit assets amounted to RMB500.8 million, RMB716.4 million, RMB151.5 million, RMB46.8 million and RMB13.9 million, respectively. For the same periods, dividend income from such funds amounted to RMB223.8 million, RMB281.0 million, RMB400.8 million, RMB140.1 million and RMB52.5 million, respectively.

The repayment of principal of, and returns on certain of our investments in rights to earnings on credit assets is secured by collateral provided by ultimate borrowers, including properties, automobiles, land use rights and certificates of deposit. There can be no assurance that our relevant risk management systems and process will be as effective as anticipated. Moreover, we may be unable to rely on or realize the value of such collateral, as such collateral may be provided to the trust companies and banks instead of directly providing to us. Our expected credit losses and asset losses increased by 7.0% from RMB2,593.5 million for the year ended December 31, 2019 to RMB2,774.3 million for the year ended December 31, 2020, primarily due to the purchase of certain non performing assets. During the year ended December 31, 2020, we recognized an asset loss of RMB2,298.2 million based on the fair value of the assets attributable to us in relation to the rights to earnings of certain non-performing assets of Chaoyang RCCU acquired by us in December 2020 as part of the reformation of Chaoyang RCCU. For details, please see "History, Development and Corporate Structure — Material Acquisition during the Track Record Period — Establishment of Chaoyang RCB — Acquisition of non-performing assets of Chaoyang RCCU".

Any deterioration in the business or financial condition of any of the ultimate borrowers could undermine the quality of our investment. We do not have direct legal recourse to certain ultimate borrowers, obligors or their guarantors in the underlying transactions if the agreed return rates cannot be achieved or the principal of our investments cannot be repaid. Therefore, our business, financial condition or results of operations may be adversely affected.

**We determine fair value of level 3 financial instruments based on valuation methods and various assumptions of unobservable inputs, which fluctuated during the Track Record Period and may continue to fluctuate with the unobservable inputs in the future.**

Fair value of a financial instrument is the amount that would be received when sell an asset or paid when transfer a liability in an orderly transaction between market participants at the measurement date. Instruments classified in level 3 of the fair value hierarchy are those which require one or more significant inputs that are not observable, which may fluctuate as the unobservable inputs change. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our level 3 financial assets amounted to RMB25,719.6 million, RMB23,286.9 million, RMB32,883.1 million and RMB32,099.3 million, respectively, representing approximately 18.3%, 18.4%, 22.9% and 21.6%, respectively, of our total financial assets at fair value as of the same dates and approximately 6.3%, 5.0%, 6.0% and 5.7%, respectively, of our total assets as of the same dates. For details, please see Note 42.4 to the Accountant's Report in Appendix I to this prospectus.

Our level 3 financial assets are initially valued at transaction price absent any contradictory evidence. Our management takes into various factors, including, among other things, changes in unobservable inputs such as estimated future cash flows and discount rates to make judgments of such level 3 financial assets' fair value. Many of these factors are beyond our control and may not be available on a consistent basis. Moreover, there is inherent limitation in such subjective judgment and estimation process. Fair value of relevant financial instrument may be accordingly affected, which may lead to an adverse effect on our financial condition and results of operations.

**We are subject to risks relating to wealth management products we offered.**

In recent years, we have been providing wealth management products and services to our customers. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our issued principal-guaranteed wealth management products amounted to RMB15,645.2 million, RMB8,638.3 million, RMB2,436.3 million, and RMB1,639.8 million, respectively; and the balance of our issued non-principal-guaranteed wealth management products amounted to RMB34,435.7 million, RMB37,047.0 million, RMB41,157.7 million, and RMB42,344.0 million, respectively.

We have invested the funds raised from our wealth management products in, among other things, debt securities, bank deposits, money market instruments, non-standard credit assets and other fixed income products. Investments with non-standard credit assets as underlying assets may involve certain risks that are beyond our control, including, among other things, lower liquidity compared to credit debt. Non-standard credit assets invested by our Bank include but are not limited to interbank borrowing, direct financing instruments for wealth management products, circulated credit asset items and rights on earning related products quoted on the Banking Credit Asset Registration and Circulation Center (銀行業信貸資產登記流轉中心), trust loan, beneficiary certificates quoted by CSI Inter Agency Quoted Systems, Inc. (中證機構間報價系統股份有限公司) and credit financing plans of Beijing Financial Assets Exchange (北京金融資產交易所). As non-standard credit assets are not listed and traded on interbank markets or markets approved by the State Council such as stock exchange markets and most of the defaults of non-standard credit assets are dealt with in private and other creditors will not be informed unless and until legal proceedings are known to the market, default costs of non-standard credit assets are lower than those of standard credit assets and their asset liquidity is also lower than that of standard credit assets. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our investments with funds raised from our wealth management products in non-standard credit assets as underlying assets amounted to RMB6,250.1 million, RMB3,496.4 million, RMB12,264.1 million and RMB11,021.7 million, respectively, representing 12.5%, 7.7%, 28.1% and 25.1%, respectively, of the balance of our wealth management products as of the same dates.

We must reimburse clients for losses in the principal amount invested in the principal-guaranteed wealth management products. If our clients suffer financial loss or other damages due to investments in our principal-guaranteed financial products, we could be subject to lawsuits or regulatory actions. As most of the wealth management products issued by us are non-principal-guaranteed, we are generally not liable for any loss suffered by the investors in these products. However, to the extent the investors suffer losses on these wealth management products, our reputation may be negatively affected, and we may also suffer a loss of business and customer deposits. Moreover, we may eventually bear losses for non-principal-guaranteed products if the investors bring lawsuits against us and the court rules that we are liable for inadequate disclosure or otherwise.

In addition, the terms of wealth management products offered by us are often shorter than the underlying assets. This mismatch subjects us to liquidity risk and requires us to offer new wealth management products, dispose of the underlying assets or otherwise seek financing to address the funding gap when existing wealth management products mature.

The PRC regulatory authorities have introduced regulatory policies to restrict the size of PRC commercial banks' investments in non-standard credit assets with funds raised from wealth management products. For details, please see "Supervision and Regulation — Regulations on Principal Activities of Commercial Banks — Wealth Management". If PRC regulatory authorities impose further restriction on the wealth management business of PRC commercial banks, it could adversely affect our business, financial condition or results of operations.

**We are exposed to risks and uncertainties in connection with the PRC regulations governing the wealth management business.**

According to the Asset Management Guiding Opinion, there is a transition period of two years for principal-guaranteed wealth management products to withdraw from the market. In addition, the Asset Management Guiding Opinion requires banks and other financial institutions to, among other things, manage the products by net value, regulate fund pools, reduce the risks of maturity mismatch, limit debt ratio of products, properly categorize underlying assets based on nature of assets, improve information disclosure on products sales and distribution management, and eliminate the practice of channels for multi-layer embedment. The Asset Management Guiding Opinion and its detailed implementation rules promulgated by PBoC in July 2018 have also imposed further restrictions on our business operations. On July 31, 2020, the Notice of Optimizing Arrangement for the Transitional Period of Asset Management Guiding Opinion to Facilitate Steady Transformation of Asset Management Business (《優化資管新規過渡期安排引導資管業務平穩轉型》的通知) was issued by the PBoC, which expressly stated that in order to facilitate the implementation of Asset Management Guiding Opinion and regulate the transformation of asset management business, upon the consent of the State Council, the PBoC conducted prudent study jointly with the NDRC, MOF, CBRC, CSRC, SAFE and other relevant authorities and decided to extend the transitional period until the end of 2021. Moreover, CBIRC issued the Measures for the Supervision and Management of Wealth Management Business of Commercial Banks (《商業銀行理財業務監督管理辦法》) on September 26, 2018, which strengthened the supervision and management of wealth management products issued by commercial banks. For details, please see "Supervision and Regulation — Regulations on Principal Activities of Commercial Banks — Wealth Management".

Failure to meet the above regulations or policy might lead to administrative measurements or other actions against us. In addition, we may need to increase our administrative expenses and incur other operating costs to bring our operation and management measures into compliance with the above regulations. Moreover, any issuance of regulatory policies governing the wealth management business in the PRC banking industry in the future may limit our wealth management businesses and products to be offered by us to an even larger extent. As such, we will not be able to continue to provide certain of our wealth management products.

**We are exposed to risks in connection with personal loans.**

We offer our individual customers a variety of personal loan products, including residential mortgage loans, credit card balances, personal business loans and personal consumption loans. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our personal loans represented 30.1%, 38.9%, 37.5% and 38.1%, respectively, of our total loans and advances to customers (exclusive of accrued interest).

We may not be able to obtain all information required for assessing credit risks of our personal loan customers and credit card holders or to verify such information as a result of the developing credit information system in the PRC. Moreover, comparing with the customers of our other business lines, our personal loan customers and credit card holders are generally more vulnerable to adverse changes in their financial situations, such as deteriorating personal income, losses from personal-owned business, prolonged unemployment or unexpected life costs such as medical expenditures. Due to the substantial number of our personal loan customers and credit card holders, the collection of non-performing personal loans may not realize as soon as we expect, or at all. In spite of our multiple risk control measures in connection with our personal loan products, there can be no assurance that such measures can effectively and fully manage the above risks. Any increase in the NPL ratio of our personal loans may materially and adversely affect our business, financial condition or results of operations.

**We had net cash flows used in operating activities for the three months ended March 31, 2021 and for the year ended December 31, 2019. If we have operating cash outflows in the future, our liquidity and financial conditions may be materially and adversely affected.**

During the Track Record Period, we had a net cash used in operating activities of RMB2,300.9 million and RMB6,997.6 million for the three months ended March 31, 2021 and for the year ended December 31, 2019, respectively. The net cash outflow from operating activities and the increases in loans granted and advances to customers for the year ended December 31, 2019, which was in line with our business expansion. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms favorable to us, or at all.

**We may participate in government driven projects, certain of which may not achieve profit expectation or requires a long payback period, which in turn may negatively affect their performance and respective contributions to our financial results.**

During the Track Record Period, in light of the People's Government of the Guangdong Province's policy in reforming all the rural credit cooperatives, which generally have weaker risk management system, internal control and corporate governance policies, in Guangdong Province as rural commercial banks to enhance their management and improve the quality of their credit assets, our Bank has been invited by the People's Government of the Guangdong Province to participate in the reformation of Chaoyang RCCU as Chaoyang RCB. We participated in the reformation of Chaoyang RCCU as Chaoyang RCB. For more details, please see "History, Development and Corporate Structure — Material Acquisition during the Track Record Period". In addition to subscribing for shares of Chaoyang RCB and acquiring shares from original shareholders of Chaoyang RCCU at the aggregate consideration of RMB1,817.7 million to acquire a 67.03% interest in Chaoyang RCB, we also acquired the rights to earnings of certain non-performing assets of Chaoyang RCCU at the consideration of RMB3,068.5 million and recognized a loss of RMB2,298.2 million based on the results of fair value assessment of such rights to earnings assets in order for Chaoyang RCCU to improve its asset quality and replenish its tier-one capital for meeting the relevant regulatory indicator requirements.

Going forward, we may continue to participate in government driven projects, including opportunities arising out of the central and local government's initiative to establish rural commercial banks and reform the banking industry, in order to expand our geographic or customer reach.

Such existing or any future acquisitions may expose us to potential risk, including:

- future deterioration of the operational condition and asset quality of the acquired targets;
- unidentified issues not discovered in our due diligence process, such as hidden liabilities and legal contingencies;
- distraction of management's attention from normal operations during the acquisition and integration process;
- failure to realize synergies expected from acquisitions or business partnerships; and
- unexpected delays in completing any such acquisitions.

Moreover, identifying such opportunities demands substantial management time and resources, and negotiating such acquisitions may incur significant costs and uncertainties. If we fail to successfully source, execute and integrate acquisitions, our overall growth could be impaired, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

**We may be subject to risks related to our geographic expansion and the development in our distribution network.**

As of the Latest Practicable Date, our Bank had 501 outlets in Dongguan. In addition, we expanded our business into selected regions outside Dongguan. As of the Latest Practicable Date, we established four outlets outside Dongguan, and controlled and consolidated four county banks, Zhanjiang RCB and Chaoyang RCB. Such geographic expansion, in particular expansion through merger and acquisition, may involve risks and challenges, including disruption of business, temporary deterioration of asset quality, hidden liabilities, financial obligations, difficulties in integrating personnel, financial, risk management and other systems, hiring additional management and other key personnel, diversion of the attention of our management on our existing operations and increases in the scope, geographic diversity, risk and complexity of our business and operations. Moreover, we may not realize all of the benefits or achieve the synergies from such geographic expansion as anticipated, or at all.

**We may not be able to effectively manage the risks associated with the autonomy of our subsidiaries.**

As of March 31, 2021, we consolidated six subsidiaries, including four county banks, Zhanjiang RCB and Chaoyang RCB. We are the largest shareholder of all these six subsidiaries and entered into acting-in-concert agreements with certain of other shareholders of one of the county banks in which we held less than 50% equity interest. We consolidated all four county banks, Zhanjiang RCB and Chaoyang RCB in our financial statements pursuant to the applicable accounting standards. For details, please see “Appendix I — Accountant’s report — Note 19 Subsidiaries”.

Our Bank has entered into acting-in-concert agreements, with certain minority shareholders of Dongguan Dalang Dongying County Bank, such minority shareholders may fail to abide by their contractual obligation, against which we may have limited or no recourse. We may not be able to continue to consolidate the financial results of such subsidiary if its minority shareholders cease to align their votes with us, or if the acting-in-concert agreement is terminated.

Each of our subsidiaries is an independent legal entity regulated by CBIRC with a high level of autonomy. Accordingly, there can be no assurance that the subsidiaries will always operate their businesses in a manner consistent with our expectation or guidance. Moreover, in spite of the various risk management measures we have adopted to mitigate relevant risks as disclosed in details in “Risk Management — Credit Risk Management”, there can be no assurance that the subsidiaries manage risks as rigorously as we do, or we can always successfully identify, prevent or mitigate deficiencies associated with their risk management, internal control system and information technology systems in a timely manner, or at all, due to limitations by nature of risk management work, which could lead to a disruption of our operations, liability to clients, exposure to disciplinary action or reputational damages.

**We may be exposed to risks related to the expansion of the range of our products and services, in particular, our fee-and-commission-based products and services.**

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, net fee-and-commission income is an important component of our operating income, representing 9.7%, 8.9%, 7.8%, 6.1% and 6.1% of our operating income, respectively.

In our effort to expand and diversify our product and service offerings, we face various risk factors, including:

- our experience and expertise in managing new products and services;
- our ability to recruit additional qualified staff;
- our ability to provide satisfactory customer service, such as providing sufficient products and service information and handling customer complaints;
- acceptance of new products by our customers;
- our ability to establish an effective management team or to enhance our risk management systems and information technology system to support a broader range of products and services;
- our ability to identify and effectively manage all potential risks associated with our products and services; and
- the actions of our competitors and other financial service providers.

We are the distributor or agent rather than the principal issuer or borrower of certain fee-and commission-based products and services. These products and services are also subject to inherent risks associated with financial performance or business operations of relevant issuers or owners of underlying assets, which could be affected by many factors beyond our control, including, among other things, economic conditions or proper compliance with laws and regulations by relevant third parties. Although we are not liable for any losses or defaults directly derived from such products and services, we may still be exposed to customer complaints, negative media coverage and potential litigation which may adversely affect our reputation.

If we are unable to offer more fee-and-commission-based products and other non-interest income products and services, we may continue to rely heavily on interest income, and may face pressures resulting from greater competition among banks for interest income and lower net interest margins from interest rate liberalization measures. For details, please see "— Risks Relating to the PRC Banking Industry — Further liberalization of interest rates, PBoC's adjustments to the benchmark interest rates, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our financial condition and results of operations."

Moreover, if we are unable to obtain relevant regulatory approvals, or comply with relevant banking regulations in the sales and marketing of our new financial products and services, we may be subject to legal proceedings or regulatory sanctions, which in turn could lead to significant financial losses and reputational damages.

Our expansion in our offerings of products and services has exposed and will continue to expose us to new and potentially increasingly challenging market and operational risks. If we fail to expand and diversify our product and service offerings, our growth rate, financial condition and results of operations may be affected.

**Changes in accounting standards or policies, including, among other things, adoption of expected credit loss model under IFRS 9, may require us to change our provisioning practice for impairment on financial assets.**

Financial accounting and reporting standards as well as the relevant interpretation of these standards, which govern the form and content of our financial statements, are subject to changes from time to time. Such changes are beyond our control, can be difficult to predict and may materially impact how we record and report the result of our operations. For instance, we may be required to apply a new or a revised standard retroactively, leading to material changes to previously reported financial results.

During the Track Record Period, we have adopted IFRS 9. IFRS 9 adopts expected credit loss model where a loss event will no longer need to occur before an impairment allowance is recognized. In addition, the impairment model of IFRS 9 demands our management to judge whether there is a significant increase in credit risks in financial assets that are classified as “amortized cost” or “fair value through other comprehensive income” under IFRS 9, and if so, make provisions for a lifetime expected credit losses for those assets rather than setting out allowance in the amount of 12-month expected credit losses. For details, please see “Financial Information — Critical Accounting Estimates and Judgment”.

The estimate of expected credit losses adopted in the impairment model of IFRS 9 is subjective in nature, as it is based on many factors beyond our control and is therefore subject to inherent limitations and uncertainties There is no assurance that our assessment and expectation would be accurate or the actual losses on such assets will not significantly increase in the future compared to our expected losses, or the impairment allowance will be sufficient to cover all losses we may actually incur in the future, or there will not be any other future changes to our accounting policies. Any of these could materially and adversely affect our business, financial condition and results of operations.

**Our deferred tax assets may not be recovered.**

As of March 31, 2021, our deferred tax assets amounted to RMB3,089.1 million, representing approximately 0.5% of our total assets as of the same date. We periodically assess the probability of the realization of deferred tax assets, using accounting judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, as those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there can be no assurance that our expectation of future earnings will always be accurate as a result of factors beyond our control, such as general economic conditions or negative development of regulatory environment, or if we fail to recover impaired loans and advances or financial assets, in which case the value of our deferred tax assets may not be recoverable and may result in a valuation allowance that would negatively affect our financial condition and results of operations.

**Our current risk management systems may not adequately protect us against credit, market, liquidity, operational and other risks.**

Our risk management capabilities are limited by the information, tools or technologies available to us. For example, we may not be able to effectively monitor credit risk due to limited information sources or tools. In recent years, we have undertaken various initiatives to strengthen our risk management capabilities, including improving our internal credit rating mechanisms, operational risk management, measurement tools to assess market risk and liquidity risk, legal risk management, and reputational risk management and continually upgrading our information technology system. However, our ability to successfully execute such mechanisms and operate such systems and to monitor and analyze their effectiveness is subject to continuous testing and improvement. For details, please see "— Our business is highly dependent on the proper functioning and improvement of our information technology systems to meet challenges arising from internet finance."

If we are not able to effectively improve our risk management and internal control policies, procedures and systems, or if we are not able to achieve the intended results of such policies, procedures or systems in a timely manner, our asset quality, business, financial condition or results of operations may be materially and adversely affected.

**We may have difficulties in meeting capital adequacy and other regulatory requirements in the future.**

We are subject to capital adequacy regulations set by CBIRC. For details, please see "Supervision and Regulation — Supervision over Capital Adequacy". Pursuant to the requirements of PRC banking regulatory authorities, our capital adequacy ratios of each tier shall remain no lower than the minimum capital adequacy requirements under the Capital Administrative Measures for Commercial Banks (Provisional) (商業銀行資本管理辦法（試行）) (the "**Capital Administrative Measures (Provisional)**"). Calculated in accordance with the Capital Administrative Measures (Provisional), as of March 31, 2021, our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were approximately 11.52%, 11.56% and 13.93%, respectively, all of which satisfy the requirements of PRC banking regulatory authorities. CBIRC may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios, and we may then be subject to new capital adequacy requirements. In addition, the relevant regulatory authorities implemented regulatory indicators and ratios higher than those stipulated in the relevant rules and regulations from time to time, and may continue to do so in the future. Such higher standards may be implemented in response to temporary or long-term changes in macroeconomic conditions or in support of existing or future government initiatives, and may not always be adequately anticipated. Our operational metrics and risk management structure are designed to comply with the regulatory indicators and requirements, and we may need to make operational or management changes to adapt to and comply with higher regulatory indicators and ratios when they come into effect. Such changes include, but not limited to, enhancement of risk control processes, increase in loan approval standards, and review any analysis of existing loan portfolio. We may also need to implement any necessary changes in the timeframe as stipulated by the relevant regulatory authorities and it may require significant financial and human resources for the compliance with such higher standards.

Our ability to satisfy the current regulatory capital adequacy requirements could be adversely affected as a result of deterioration in our financial condition, including deterioration in the quality of our assets, such as an increase in non-performing loans, and a decline in our profitability. If our business growth needs places capital demands on us in excess of what we are able to generate internally or raise in the capital markets, we may need to seek additional capital through alternative means. However, we may not be able to obtain additional capital on commercially acceptable terms in a timely manner or at all. Our ability to obtain additional capital may also be restricted by a number of factors, including our future business, financial condition, results of operations and cash flows, conditions prescribed by PRC law and regulatory approvals, general market conditions for capital-raising activities by commercial banks and other financial institutions, as well as economic, political and other conditions both within and outside China. We may face increased compliance and capital costs as a result of these capital requirements. Moreover, as these capital adequacy requirements place restrictions on the ability of banks to leverage on their capital to achieve growth in their loan portfolios, our results of operations may be materially and adversely affected, and our capacity to further grow our business may be constrained. If at any time in the future we fail to meet these capital adequacy requirements, CBIRC may take a series of measures upon us, including, for example, imposing restrictions on our lending and investment activities, restricting the growth of our loans and other assets, declining our application to launch new businesses or restricting our ability to declare or pay dividends. Such measures may materially and adversely affect our business, financial condition or results of operations.

**Issues related to land use right and building ownership may adversely affect our ability to occupy and use certain properties owned by us and/or leased from third parties.**

As of the Latest Practicable Date, we owned or occupied 780 properties with an aggregate GFA of approximately 654,083.9 square meters in China. Certain of our properties have deficiencies such as:

- the building ownership certificate and the land use right certificate were registered under our name, but the land was state-owned allocated in nature;
- the building ownership certificate and the land use right certificate were registered under our name, but the land was collectively-owned in nature;
- we have obtained the building ownership certificates and the land use right certificates, but the building ownership certificates and/or land use right certificates have not been registered under our name for historical reasons;
- we have obtained the building ownership certificate but not the land use right certificate;
- we have obtained the land use right certificates but not the building ownership certificates; and
- we may not be able to obtain these title certificates; therefore, our ownership rights may be adversely affected in respect of these properties.

We may incur additional costs and a reduction in our revenue as a result of such relocation if it occurs.

As of the Latest Practicable Date, we had or in actual possession of 28 parcels of land in the PRC with an aggregate site area of approximately 198,604.5 square meters. We have obtained the land use right certificates for some of these parcels of land. Some of the land use right certificates are registered under the name of Zhanjiang RCB, our subsidiary. Zhanjiang RCB has applied for the state transfer of registration. The nature of land of certain parcels of land without land use right certificates is undetermined. There can be no assurance that our ownership rights will not be adversely affected. If we were forced to relocate any of the operations we conduct on the affected land, we may incur additional costs as a result of such relocation.

As of the Latest Practicable Date, we leased 687 properties with an aggregate GFA of approximately 253,570.3 square meters, which we mainly use as business premises. Some of these properties were leased from lessors who were not able to provide the title certificates. As a result, the validity of such leases may be subject to legal challenge. In addition, there can be no assurance that we would be able to renew such leases on terms acceptable to us upon their expiration or at all. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration, we may be forced to relocate affected branches and incur additional costs, a reduction in our revenue or fines imposed by relevant authorities associated therewith, and our business, financial condition or results of operations may be adversely affected.

For details of our properties, please see "Business — Properties".

**We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties, and we may be subject to other operational risks.**

We are exposed to fraud or other misconduct committed by our employees or third parties, which could subject us to financial losses, third party claims, regulatory actions or reputational damages.

We cannot assure that our internal control policies and procedures are effective and sufficient to prevent, or that we can otherwise fully detect or deter, all incidents of fraud and misconduct. In addition, improper acts of third parties against us, such as fraud, theft of customer information for illegal activities, robbery and certain armed crimes, may also expose us to certain risks. As a result, our business, financial condition or results of operations could be materially and adversely affected.

**We rely on the continuing efforts of our key personnel and may not be able to recruit or retain an adequate number of qualified employees.**

Our ability to maintain growth and meet future business demands is dependent upon the continued services of our senior management and other key personnel. In particular, our future success depends substantially upon the industry experience, experience in our business operations and sales and marketing skills of our key personnel. For example, Mr. Wang Yaoqiu (王耀球先生), executive Director and Chairman of our Board of Directors, and Mr. Fu Qiang (傅強), executive Director and President of our Bank. Mr. Wang Yaoqiu has over 32 years of experience in the banking industry, and previously served as the vice president of Dongguan Branch of Bank of China Limited and president of Dongguan Branch and Guangzhou Branch of China Merchants Bank. He has a profound understanding of regional economic development and strategic transformation of banking industry, outstanding leadership, and vision. Mr. Fu Qiang has over 30 years of banking-related experience, and previously acted as deputy inspector of PBoC Guangzhou Branch (assistant bureau-level). He has extensive experience in, and in-depth understanding of the financial industry regulation in Guangdong Province. For information about the other senior management and major personnel, please see "Directors, Supervisors and Senior Management". The departure of any member of our key personnel may have an adverse effect on our business and results of operations. Moreover, we may face increasing competition in recruiting and retaining qualified employees, including our senior management, as other banks are competing for the same pool of qualified persons and our compensation packages may not be as competitive as those of our competitors. Moreover, our employees may resign at any time and some of our employees are not subject to long-term employment contracts. There can be no assurance that we will be able to recruit employees in sufficient numbers or with sufficient experience, or that competition in recruitment will not lead to increases in our employment costs. If we fail to recruit or retain a sufficient number of qualified employees, our business, financial condition and results of operations may be materially and adversely affected.

**If we fail to fully comply with the various regulatory requirements applicable to us, our reputation could be harmed and our business, financial condition or results of operations could be materially and adversely affected.**

We are subject to the regulatory requirements and guidelines set forth by various PRC regulatory authorities, which include CBIRC, PBoC, SAFE, CSRC, MOF, NAO, SAMR and SAT. These regulatory authorities carry out periodic supervision and spot checks of banks like us and have the authority to impose penalties or remediation action based on their findings. Particularly, online financing is relatively new and the relevant rules and regulations are still in the process of development. Such rules and regulations are subject to the interpretation by the competent authorities and their implementation involves uncertainties. For details, please refer to "Supervision and Regulation — regulations on principal activities of commercial banks — internet finance" in this prospectus. As of the Latest Practicable date, we are in compliance with the relevant laws and regulations on internet loan business. However, the relevant PRC authorities, including regional and local government, may issue new or revise current laws and regulations on internet loan finance, and the evolved requirements or our failure to comply with such applicable laws and regulations could have a material adverse effect on our business, financial condition, results of operations and prospects.

During the Track Record Period, we had incidents of non-compliance with the requirements of business continuity management which resulted in an aggregated fine of approximately RMB8.2 million. For details, please see "Business — Legal and Regulatory Matters — Regulatory Inspections and Proceedings — Administrative Penalties". As of the Latest Practicable Date, these incidents of non-compliance had not resulted in any material adverse effect on us. However, there can be no assurance that we will be able to comply with all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that we will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. Failures to comply with applicable rules, guidelines, laws or regulations may damage our reputation, and materially and adversely affect our business, financial condition and results of operations.

**Although we have registered our trademarks in Hong Kong, there can be no assurance that the use of our Chinese name and English name in this prospectus and in the course of trade or business in Hong Kong, if any, will not be challenged in claims of trademark infringement and passing off.**

Since our establishment in 2009, we have been carrying on business under the name of "東莞農村商業銀行股份有限公司" in the PRC. In 2011, a U.S.-based bank made an application of trademark objection against us. In 2017, we obtained favorable adjudication. On June 6, 2018, we have successfully registered two trademarks of our Chinese name and English name in Hong Kong. For details, please see "Statutory and General Information — 3. Further Information about Our Business — B. Intellectual Property Rights — (a) Trademarks" in Appendix VII to this prospectus. However, even a valid registration of trademark will not necessarily preclude the use of our Chinese name and English name in this prospectus and the use of them in the course of trade or business in Hong Kong, if any, from constituting passing-off of another trade name or allegations of trademark infringement.

Intellectual property rights litigation can be costly and time-consuming and could divert our management's attention from business operations. Should we receive any complaint for trademark infringement or encounter any dispute in relation to the name we used for non-Hong Kong company registration, even we can win favorable judgment or order, our reputation as well as our business, financial condition and results of operations may be materially and adversely affected.

**The adoption of logos similar to ours by other financial institutions may lead to confusion among customers, which could materially and adversely affect our reputation, business, growth prospects, financial condition or results of operations.**

We own the intellectual property rights to our corporate names and logos. For details, please see "Business — Permits, Licenses and Qualifications — Intellectual Property Rights". There are other financial institutions (including rural credit cooperatives, rural cooperative banks and rural commercial banks) using logos similar to ours, which may create customer confusion or undesirable association of our products and services with those of our competitors. If any negative publicity is associated with any of these entities, our reputation, business, growth prospects, financial condition and results of operations may be adversely affected.

**We may not be able to detect money laundering and other illegal or improper activities on a timely basis, or at all, which could expose us to reputational damages and additional legal or regulatory liability risks.**

We are required to comply with applicable PRC anti-money laundering and anti-terrorism laws and regulations. These laws and regulations require us to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large amount transactions to the relevant regulatory authorities. In light of the complexity of money-laundering activities and other illegal or improper activities, such policies and procedures may not completely eliminate the possibility that we may be utilized by other parties to get involved in money laundering and other illegal or improper activities. To the extent that we fail to fully comply with such laws and regulations, the relevant government authorities may impose fines and other penalties on us. In addition, our business and reputation could deteriorate if customers manipulate their transactions with us for money laundering or other illegal or improper purposes. For details, please see "Risk Management — Departments Relating To Risk Management — Internal Control and Compliance Department" and "Supervision and Regulation — Ownership and Shareholder Restrictions — Anti-money Laundering Regulation".

**We are subject to risks associated with off-balance sheet commitments.**

We provide certain off-balance sheet commitments to our customers in the ordinary course of business, consisting primarily of bank acceptances, letters of credit, guarantees, and unused limit of credit cards. Such arrangements are not reflected on our balance sheet but constitute contingent assets or contingent liabilities. As of March 31, 2021, our off-balance sheet commitments totaled RMB13,438.7 million. For details, please see "Financial Information — Off-balance Sheet Commitments". We are subject to credit risks associated with these off-balance sheet commitments and may be required to provide funds when our customers are unable to perform their obligations. If we are unable to recover payment from our customer, our financial condition and results of operations may be materially and adversely affected.

**Our business is highly dependent on the proper functioning and improvement of our information technology systems to meet challenges arising from internet finance.**

Our business is highly dependent on the ability of our information technology systems to support our business development and accurately process a large number of transactions in a timely manner. The proper functioning of our internal control, risk management, customer service and other data processing systems, together with the communication networks between our various branches and our main data processing centers, is critical to our business and our ability to maintain competitiveness. For further information with respect to our information technology systems, please see "Business — Information Technology". There can be no assurance that our operations will not be materially disrupted if there is a partial or complete failure of any of these information technology systems. We are also subject to the risk of telecommunication network or Internet breakdowns. Such failures could result from, among other things, software bugs, computer virus attacks, conversion errors due to system upgrading, an equipment provider's failure to provide proper system maintenance, or natural disasters. Any security breach caused by unauthorized access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could materially and adversely affect our business, financial condition or results of operations.

In addition, our ability to remain competitive will depend in part on our ability to upgrade our information technology system in a timely and cost-effective manner in order to respond to market changes and other developments. During the Track Record Period, we relied to some degree on manual inspection of our corporate customers' cash flow and other financial information, which subjected us to human error and lack of experience of the employees conducting such inspection. Thus, any failure to improve or upgrade our information technology systems or develop new systems effectively or on a timely basis may materially and adversely affect our business, financial condition or results of operations.

Moreover, challenges from financial services utilizing Internet technologies, such as online or mobile banking services, are increasingly fierce. As a result, our ability to remain competitive will also depend on the capacity of our information technology system to provide various products and services that utilize latest technologies with convenient accesses and cost-efficient management and enable the transition from providing services only through physical networks to integrate outlets with electronic and Internet-based channels. In the future, if the effectiveness or speed of the transition fails to meet our expectations for financial technology, our business, financial condition or results of operations may be materially and adversely affected.

**We are vulnerable to various security risks, especially cyber-attacks that may cause a temporary or prolonged suspension of our business operations and services provided, thus materially and adversely affect our business, financial condition and results of operations.**

Our business largely relies on the secure and efficient operation of the information technology systems. In recent years, as more and more public and private enterprises, including banks and financial institutions, are relying on the proper functioning of information technology systems for their business operations. As a result of the rapid technological advancement, we become more vulnerable to cyber-attacks, such as the cyber intrusion by computer hackers, foreign governments and cyber terrorists which may severely damage our Internet banking or mobile banking operations, causing temporary or prolonged suspension of our relevant services, or theft of customer data which may lead to the rising number of complaints or litigations from the relevant customers. Although we have configured internet firewall access policies, intrusion detection mechanism and other defensive measures, the possibility of being attacked still exists, and our information system is not completely protected from the potential damages. For details of our relevant measures implemented, please see "Risk Management — Information Technology Risk Management". The occurrence of any of the above-mentioned risks or safety intrusion incidents could materially and adversely affect our business, financial condition and results of operations.

**We have entered into outsourcing cooperation with third parties for certain information technology services, which could expose us to additional cost and interruption of our services.**

We have obtained, and will continue to obtain, certain information technology services through cooperation with third-party information technology and service providers. Any termination of, failure in such providing or failure to renew such cooperation may disrupt our operations, increase the relevant costs, divert management's attention and damage our reputation. If we are unable to find a suitable new service provider on a timely basis, or at all, we could be forced to temporarily or permanently discontinue certain services, which could materially and adversely affect our business, financial condition and results of operations.

**We may be involved in legal and other disputes from time to time arising out of our operations.**

We are involved in legal and other disputes from time to time for a variety of reasons, which are generally the loan disputes or claims arising out of our banking business. For details, please see "Business — Legal and Regulatory Matters — Legal Proceedings". In general, litigation is, however, inherently uncertain and unpredictable. There can be no assurance that the outcome in any of the litigation in which we are involved would be favorable to us and any future legal disputes we may confront could result in damage to our reputation, additional operational costs and a diversion of resources and management's attention from our business operations.

**Our consolidation of minority-owned subsidiaries is subject to accounting judgment.**

Our consolidated financial statements during the Track Record Period include the financial statements of Dongguan Dalang Dongying County Bank and Zhanjiang RCB, despite that we held less than 50% equity interest in these two subsidiaries. However, as we are the largest shareholder of Dongguan Dalang Dongying County bank and the shareholders holding 16% of equity interest in Dongguan Dalang Dongying County Bank agreed to vote as directed by our Bank, such bank is treated as our subsidiary. In addition, as we are the largest shareholder of Zhanjiang RCB and the shares held by the other shareholders are scattered, such bank is treated as our subsidiary. We primarily consider three elements when assessing whether we consolidate a subsidiary, namely (i) our power of control, (ii) our ability to exercise such power of control, or (iii) our exposure to the variable returns from our exercise of control. The assessment of our controlling power over our minority-owned subsidiaries involves substantial accounting judgment. Whether or not we consolidate a minority-owned subsidiary needs to be reassessed if facts and circumstances indicate that there are changes to one or more of the three elements of control. If Dongguan Dalang Dongying County bank or Zhanjiang RCB ceases to be consolidated as one of our subsidiaries, our consolidated results of operations may be adversely affected.

**We have certain Shareholders that we have been unable to contact and register, which may lead to potential disputes.**

As of the Latest Practicable Date, among our 57,595 existing Shareholders, we have not been able to verify certain of our Shareholders' identities as we were unable to contact them or for other reasons. Such unidentifiable Shareholders include one corporate Shareholder and 291 individual Shareholders. The Shares held by such Shareholders represented an aggregate of approximately 0.13% of our total issued share capital.

There can be no assurance that we will successfully contact and accurately record all holders of our Shares or all persons who are entitled to our Shares. We have entrusted the Shares held by all of our existing

Shareholders, including such unidentifiable Shareholders, to the Guangdong Equity Exchange Co., Ltd. (廣東股權交易中心股份有限公司). However, there can be no assurance that there will not be any disputes regarding equity interests raised by Shareholders, such as disputes over the dilution of their shareholding, including the Shares held by you. Any of such disputes or objections may result in negative publicity or reputational damages to us.

**Failure to protect the personal data of our customers or to comply with data privacy and protection laws and regulations could harm our reputation and deter customers from using our services, which could materially affect our results of operations.**

During the ordinary course of our business, we collect and store certain private information about our customers, such as their names, addresses and contact information, as well as their social and financial information, such as employment, proof of income and credit ratings. Although we strive to implement our data protection policies and procedures in a strict and consistent manner, unauthorized access to or leakage of personal data may still occur, which could materially and adversely affect our reputation, financial condition and results of operations.

PRC data privacy laws restrict our collection, storage, use, processing, disclosure and transfer of non-public personal information of customers. The PBoC's Notice on the Further Protection of Personal Financial Information by Financial Institutions issued on March 27, 2012 (Yin Fa [2012] No. 80) (《中國人民銀行關於金融機構進一步做好客戶個人金融信息保護工作的通知》) requires that banking financial institutions strictly follow the relevant laws and regulations when collecting, maintaining and using personal financial information, or when providing the same to external parties. Meanwhile, banking institutions shall not sell personal financial information of customers to any entity or individual, or provide such information to any external party against the relevant laws and regulations. They must adopt effective measures to ensure the safety of customers' personal financial information and prevent the unauthorized disclosure and misuse of the same. The State Council General Office's Guiding Opinions on Strengthening the Protection of Financial Consumers' Rights and Interests (《國務院辦公廳關於加強金融消費者權益保護工作的指導意見》), effective since November 2015, explicitly states that financial institutions must respect and protect consumers' basic rights, including their right to information safety. Regulatory authorities including the CBIRC and PBoC have also placed a growing emphasis on the protection of personal data. In September 2020, for instance, the PBoC released its Implementation Measures for Protecting Financial Consumers' Rights and Interests (《中國人民銀行金融消費者權益保護實施辦法》), which clearly state that financial information of consumers shall be used for the purpose in compliance with laws and regulations and agreed by both parties and kept in strict confidential, and no leakage or illegal disclosure to other parties shall be allowed. Financial institutions are required to set up a management system for the usage of financial information of consumers and implement technologies and other measures as necessary to properly maintain and store the financial information of consumers collected.

Furthermore, as the internet banking business continues to evolve, it is likely that the PRC regulatory authorities, including the CBIRC and PBoC, may tighten its regulation on the protection of consumers' online personal data. The existing and any future laws and regulations can be costly to comply with and can delay or impede the development of our new products, increase our operating costs, call for significant management time and attention, and subject us to claims for remedies, litigations, fines, or demands to modify or cease existing business practices. In addition, any public concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation, which may in turn cause material and adverse effects on our business, financial condition and results of operations.

## RISKS RELATING TO THE PRC BANKING INDUSTRY

### We face increasingly intensive competition in China's banking industry.

The banking industry in China is becoming increasingly competitive. We face competition from the PRC and foreign commercial banks in all of our principal lines of business in the locations where we have operations. We principally compete with commercial banks operating in Guangdong Province, including large commercial banks, joint stock commercial banks and other commercial banks. On July 1, 2013, the General Office of the State Council issued the Guidance Letter Regarding Financial Support for Promoting Economic Restructuring and Transformation (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》), or the Guidance Letter. The Guidance Letter, among other things, encourages investment by private sector capital in financial institutions and the establishment of privately-owned banks. The Guidance Letter provides a policy direction to the increasing involvement by private sector capital in the financial industry in China. We may therefore face competition from privately-owned banks in the future. Due to the market liberalization by the PRC government, competition in the PRC banking industry will be further intensified.

We compete with our competitors on loans, deposits and fee-and commission-based products and services. Such competition may materially and adversely affect our business and future prospects by, for example, reducing our market share in our principal products and services, reducing our fee and commission income, affecting the growth of our loan or deposit portfolios and their related products and services, and increasing competition for soliciting senior management talents and qualified professional personnel.

In addition to competition from other banks and financial institutions, we also face competition from other forms of investment alternatives in China. In recent years, financial disintermediation, which involves investors' moving funds out of commercial banks and other financial institutions, to direct investments, has increased in China due to the availability of new financial products, the further development of the capital markets, the diversification of customer demand and other factors. Our deposit customers may move their funds deposited with us to invest in stock, bonds and wealth management products, which may result in a decrease in our customer deposits, the most important source of funds available to us for our lending business, further impacting our net interest income. In addition, due to the development of the capital markets, we may face competition from direct corporate financing, such as the issuance of debt or equity securities in the domestic and international capital markets. If a substantial number of our customers choose alternative ways of financing to meet their funding needs, this may adversely affect our interest income. A decrease in the financing demand of our corporate customers could materially and adversely affect our business, financial condition or results of operations.

Moreover, China's traditional banking institutions are also facing new challenges from innovations in financial products and technology, such as online wealth management products, third party online payment platforms and Internet financing service platforms. According to CNNIC, the number of Online payment users in China increased from 474.5 million in 2016 to 854.3 million in 2020, representing a CAGR of 15.8%, similar to other commercial banks, we also face competition from other types of Internet finance. There can be no assurance that we will successfully meet the challenges from such Internet finance companies and, in the event that we were unable to effectively respond to the changes in the competition environment of the PRC banking industry, our business, financial condition or results of operations could be materially and adversely affected.

**The competition layout in the banking industry keeps evolving in line with advancement of information technology where the traditional banking institutions face intensified challenges in terms of electronic banking and internet finance.**

In recent years, with the continuous development and further penetration of internet technology, traditional banks are facing ever increasing challenges in respect of electronic banking capacities and the internet finance sector, both of which keep evolving. At present, the major financial services provided by China's Internet-based and Fintech-based financial service companies include online personal loans, third-party online and mobile payment, as well as online and mobile wealth management. China's commercial banks are facing the challenges with respect to products, technologies and customer experience. Leveraging their competitiveness in technology capacity, databases of customers' transaction behavior and/or different regulatory regimes, these enterprises proactively proceed with technology and business model innovation services to take over more and more of the bank value chain, including those core areas that are key source of banks' revenues. In addition, personal loan products provided by Internet-based financial service companies may result in decreased demand of retail banking customers for commercial banks' loans. More and more customers are inclined to access banking services through internet at their computers or mobile handsets instead of going to physical bank branches due to the convenience, efficiency and security of electronic and online banking. Furthermore, many technology giants and large-scale retailers managed to establish its own banking institutions upon obtaining approval, imposing a more direct and full-fledged competition against existing traditional banks. Please also refer to "Industry Overview — Industry Trends and Growth Drivers — Opportunities Arising from Financial Technologies."

Meanwhile, our business has geographical limitations. As of the Latest Practicable Date, our extensive branch network consisting 505 outlets in total in Guangdong Province and among which, 501 outlets were located in Dongguan. The financial services provided by the internet-based and Fintech-based financial service companies are virtual and not constrained by geography. Generally, the services can be launched nationwide and therefore their customer base is not limited by territorial boundaries. Competition from the Internet-based and Fintech-based financial service industry may materially and adversely affect our business, financial condition, results of operations and prospects.

**The PRC banking industry is highly regulated, therefore we are susceptible to changes in regulation and government policies.**

The PRC banking industry is highly regulated and our business could be directly affected by changes in the policies, laws and regulations relating to the PRC banking industry, such as those affecting the specific lines of business in which we operate, or the specific businesses for which we can charge fees, as well as changes in other governmental policies. We are subject to various regulatory requirements and guidelines set forth by the PRC regulatory authorities, which include but are not limited to MOF, NAO, PBoC, SAT, CBIRC, CSRC, SAFE and their respective local branches, particularly in Dongguan and Guangdong Province. Some of such regulatory authorities conduct periodic and *ad hoc* inspections, examinations and inquiries on our business operations and compliance with the laws, regulations and guidelines, and have the authority to impose sanctions, penalties or remediation actions. These laws, regulations and guidelines impose regulatory requirements on, among other things, banking products and services, market entry, opening of new branches or institutions, tax and accounting policy and pricing. CBIRC, as the primary banking industry regulator, has promulgated a series of banking regulations and guidelines aiming at improving the operations and risk management of Chinese commercial banks.

Many of the policies, laws and regulations governing the banking industry or the interpretation thereof may change in the future, and we may not be able to adapt to such changes on a timely basis or at all. For instance, in August 2015, PBoC eliminated the upper limit on interest rate for RMB-denominated time deposits with terms of over one year. In October 2015, PBoC eliminated the upper limit on the interest rate for RMB-denominated demand deposits and time deposits. In addition, since 2017, CBIRC, together with its predecessor CBRC, has promulgated a series of rules and regulations to enhance supervision and impose restrictions on various business operations of banks, including the rules and regulations on entrusted loans and cooperation between banks and trust companies. These changes are expected to intensify competition among PRC commercial banks and could materially and adversely affect our results of operations by reducing our net interest income. Failure to comply with new policies, laws and regulations may result in fines or restrictions on our business, which could materially and adversely affect our business, financial condition or results of operations.

**Further liberalization of interest rates, PBoC's adjustments to the benchmark interest rates, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our financial condition and results of operations.**

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2020 and 2021, approximately 74.9%, 74.6%, 82.4%, 79.6% and 81.8% of our operating income was generated through our net interest income, which is in a gradual transition from floating with adjustments in the benchmark interest rates set by PBoC to being indexed to the developing the LPR mechanism. On October 25, 2013, PBoC announced the official operation of LPR collective quotation and releasing mechanism. The first nine quoting banks, including large commercial banks, will release the LPR quotations on each business day, quoting the LPR applicable to its high-grade clients. Designated to release LPR, the National Inter-bank Funding Centre will release the LPR quotation average rates of quoting banks after eliminating highest and lowest quotations, and calculating the weighted average of remaining quotations. In the preliminary period of operation, the mechanism published its one-year LPR. Official operation of new mechanism of LPR was expected to realize a smooth transfer for the pricing benchmark from being determined by PBoC to being determined by the market, laying regime foundation for promoting interest rate liberalization. In recent years, PBoC has adjusted the benchmark interest rates several times and gradually lifted various limitation on the interest rates, indicating an interest rate liberalization trend. For details, please see "Supervision and Regulation — Pricing of Products and Services — Interest Rates for Loans and Deposits".

Such liberalization trend may affect our financial condition and results of operations in different ways. Movements in PBoC benchmark interest rates could affect the average yield on our interest-earning assets to a different extent than the average cost on our interest-bearing liabilities which leads to a narrower net interest margin. The Deposit Insurance Regulation (《存款保險條例》), effective since May 1, 2015, requires banks to pay premiums for deposit insurance has also increased our operating costs. Accordingly, the competition among the PRC commercial banks may be intensified through their efforts to attract customers with more favorable interest rates.

Moreover, volatility in interest rates may adversely affect our cost of short-term borrowing, liquidity and value of assets. For instance, a significant increase in interest rates generally results in a significant decrease in the fair value of fixed income securities portfolio. In addition, the derivatives market in the PRC is still in the early stages of development. As a result, we may not be able to effectively hedge such market risks.

Therefore, if we fail to promptly diversify our businesses, adjust the mix of our assets and liabilities or change our pricing to effectively respond to further liberalization of interest rates, our financial condition and results of operations may be adversely affected.

**Change in the PRC interbank market liquidity, volatility in interest rates and the financial condition of other banks and other financial institutions could significantly increase our borrowing costs and materially and adversely affect our liquidity and financial condition.**

We utilize funding in the interbank market to satisfy some of our liquidity needs. As of March 31, 2021, our financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions, accounted for 8.7% of our total liabilities.

According to the *Notice on Regulating Interbank Businesses of Financial Institutions* (《關於規範金融機構同業業務的通知》) jointly issued by PBoC, former CBRC, CSRC, former CIRC and SAFE on April 24, 2014, the net balance of interbank lending of a commercial bank to a single incorporated financial institution (excluding interbank deposits for settlement purposes), after deducting assets with zero risk weight, shall not exceed 50% of its tier-one capital. The balance of interbank borrowing of a commercial bank shall not exceed one third of its total liabilities. We may not be able to acquire sufficient short-term funds from the interbank market at all times, and regulatory authorities may further impose restrictions on the interbank business and interbank borrowing. In addition, any significant changes in the liquidity and interest rate in the PRC interbank market could affect our financing costs. A market rate system based on SHIBOR has been developed for the PRC interbank market. However, due to the relatively short history of the PRC interbank market, there may be significant volatility in market interest rates, and there can be no assurance that SHIBOR could return to the normal range in the short term after irregular fluctuations in such rates in the future. Any significant volatility in interest rates on the interbank market may have a material and adverse effect on our cost of borrowing short-term funds and our liquidity. Moreover, severe volatility in market interest rates may also have a significant impact on the value of our assets. For instance, a significant increase in market interest rates may lead to a significant decrease in the fair value of our fixed income debt securities, which may materially and adversely affect our financial condition and results of operations.

In addition, changes in the financial condition of other banks and other financial institutions from which we have interests in their debts may materially and adversely affect our financial condition and results of operations.

**The rapid growth of the banking industry in China may not be sustainable.**

The PRC banking industry has experienced rapid growth along with China's economic development. Banks have historically been, and are likely to remain, the principal domestic financing channel for corporates and the primary choice for savings. We expect the banking industry in the PRC to maintain its growth as a result of the continued growth in the PRC economy and increases in household income, among other factors.

Notwithstanding the significant growth in the banking industry in China, it is uncertain whether the banking industry in China can sustain the current rates of growth. A slowdown in the growth of the PRC economy, other unfavorable macroeconomic developments and trends in China and other parts of the world could materially and adversely affect the banking industry in China. Due to the newly-accumulated risks caused by overcapacity, local government debts and overall economic slowdown, there can be no assurance that the banking industry in the PRC is free from systemic risks. The recent slowdown in China's economic growth has led to a rise in non-performing loans of the banking industry. In the event that we cannot adapt to such changes, our business, financial condition or results of operations could be materially and adversely affected.

**The effectiveness of our credit risk management is affected by the quality and scope of information available in China.**

Although national credit information databases developed by PBoC have been put into use, they are generally under-developed in China, and such databases are not able to provide complete credit information on certain credit applicants. Without complete, accurate and reliable information and until the full implementation and effective operation of comprehensive national credit databases with respect to corporate and individual borrowers, we must rely on other publicly available information and our internal resources, which may not be effective to assess the credit risk associated with a particular customer. Moreover, customary loan contracts in China may not contain the same types of financial and other covenants as other countries or regions, which would not allow us to effectively monitor changes to the credit standing of our customers in a timely manner. As a result, our ability to effectively manage our credit risk may be limited, which could materially and adversely affect our business, financial condition or results of operations.

**Investors of commercial banks, including, among other things, rural commercial banks, in China are subject to qualification requirement.**

Investments in commercial banks in China are subject to a number of restrictions. For instance, prior approval from the regulatory authorities for the PRC banking industry is required for any person or entity to hold 5.0% or more of the total capital or total shares of a commercial bank in China, unless otherwise required by the approval authorities. If a shareholder of a commercial bank in China increases its shareholding above this 5.0% threshold without obtaining prior approval from the regulatory authorities for the PRC banking industry, such shareholder may be subject to sanctions by the regulatory authorities for the PRC banking industry, which includes correction of such misconduct, confiscation of illegal gains or fines. In addition, under the PRC Company Law, we may not extend any loans that use our Shares as collateral. Moreover, pursuant to the *Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks* (《中國銀監會關於加強商業銀行股權質押管理的通知》) issued by CBRC and our Articles of Association, a Shareholder must notify our Board of Directors before pledging our Shares as collateral for itself or others. In addition, our Shareholders (especially the major shareholders) and our Directors designated by them are restricted from voting in Shareholders' general meetings and meetings of the Board of Directors, respectively, if such Shareholders fail to repay outstanding borrowings when due. Please also see "— Our Shareholders, including our H Shareholders, may be subject to voting restrictions in connection with their pledge of our shares." Changes in shareholding restrictions imposed by the PRC government or as provided for in our Articles of Association in the future may materially and adversely affect the value of your investment.

According to the *Interim Measures for Management of Commercial Bank Equity* (《商業銀行股權管理暫行辦法》) promulgated by CBRC, the predecessor of CBIRC, on January 5, 2018, no shareholder of a commercial bank may authorize any other person to or accept any other person's authorization to hold equity of a commercial bank. In the event that the shareholders of a commercial bank intend to transfer their equity, the shareholders shall inform the transferees to comply with the laws and regulations as well as requirements promulgated by CBRC. The same investor and its related parties and parties acting in concert shall comply with the shareholding percentage requirement of CBRC if they decide to invest in a commercial bank. If CBRC or its local offices take steps to control risks and take-overs due to material risk issues or material non-compliance of the commercial bank, shareholders shall actively cooperate with CBRC and its local offices as applicable to conduct risks controlling and other relevant actions. In addition, on December 26, 2019, CBIRC promulgated the *Implementing Measures for the Administrative Licensing Matters concerning Small and Medium-sized Rural Banking Institutions* (《農村中小銀行機構行政許可事項實施辦法》). Under such regulations, shareholders of rural financial institutions are subject to various restrictions. For instance, the total investment amount of a non-financial intuitional shareholders in rural commercial banks and their connected parties cannot exceed 10% of the share capital of the rural commercial banks being invested. Failure to comply with such requirements might lead to CBIRC imposing its regulatory measures on us or other regulatory and administrative actions against us.

**Our Shareholders, including our H Shareholders, may be subject to voting restrictions in connection with their pledge of our shares.**

To comply with the *Notice on Enhanced Management of Pledge of Equity Interest in Commercial Banks* (《中國銀監會關於加強商業銀行股權質押管理的通知》) issued by CBRC on November 14, 2013, our Articles of Association stipulates that Shareholders who have outstanding loans from us exceeding the audited net book value in previous year of the shares of our Bank they held are not permitted to pledge our Shares, and the voting rights of such Shareholders at general meetings and the voting rights of Directors appointed by such Shareholder (if any) at meetings of the Board shall be restricted if such Shareholders pledge 50.0% or more of their Shares. If a Shareholder who has representation on the Board of Directors or the Board of Supervisors, or directly, indirectly or jointly holds or controls more than 2% of our share capital or voting rights pledges his equity interests in us, they shall make a filing to the Board of Directors prior to the pledge. Such filing shall state the basic information of the pledge, including the reasons for the pledge, the number of shares involved, the term of pledge and the particulars of the pledgees. A shareholder who pledges his equity interest shall notify the Board of Directors in advance. For details, please see "Supervision and Regulation — Ownership and Shareholder Restrictions — Restrictions on Shareholders".

The PRC authority may issue more stringent rules and regulations to set restrictions or prohibitions against share pledges made by shareholders. Such regulatory authorities may also require us to impose further voting restrictions on our Shareholders, including our H Shareholders, in a manner deemed appropriate by such regulatory authorities which, in extreme cases, may involve suspension of the relevant Shareholders' voting rights.

**Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.**

We established a five-level loan classification system in accordance with the guidelines set forth by former CBRC. The five categories are normal, special mention, substandard, doubtful and loss. In making relevant assessments, we determine and recognize provisions by using the concept of impairment under IFRS 9 in determining provisions. We are required to apply a new expected credit loss impairment model under IFRS 9, which uses more forward-looking information instead of objective evidence of impairment as a precondition for recognizing credit losses. Although our loan classification criteria is in compliance with the guidelines set forth by the CBIRC, certain aspects of our loan classification criteria may not be the same as those adopted by other PRC commercial banks. For details on our loan classification criteria, please see "Assets and Liabilities — Assets — Loans and Advances to Customers — Asset Quality of Our Loan Portfolio — Loan Classification Criteria". As a result, our loan classification as well as our impairment allowance, as determined under our loan classification and provisioning policies, may differ from those that could be reported if we were incorporated in those countries or regions.

**The applicable PRC regulations impose certain limitations on the products in which we may invest and our ability to seek higher investment returns and diversify our investment portfolio is limited.**

Investment by commercial banks in China is subject to a number of restrictions. The investment assets of PRC commercial banks traditionally consist primarily of debt securities issued by MOF, PBoC, PRC policy banks, PRC commercial banks and corporates. Investment in debt securities carries certain inherent risks, including but not limited to credit risk, interest risk and liquidity risk. In recent years, additional investment products have been introduced to the market, such as trust plans, wealth management products and fund products issued by financial institutions, investment funds, asset-backed securities, and beneficiary certificates, as a result of changes to the regulatory regimes and market conditions. However, investments in equity products by commercial banks are still subject to strict restrictions. Restrictions on the ability to diversify the investment portfolio of commercial banks in China, including us, may limit our ability to seek optimal returns.

**Our business, financial condition and results of operations may be adversely affected by negative media coverage of the banking industry in the PRC.**

The banking industry in the PRC continues to be covered extensively by various news media. Historically, incidents of fraud and issues relating to high levels of NPL, loan quality, capital adequacy, solvency, internal controls and risk management of individual banking institutions have been reported by the media. Negative coverage, whether or not accurate and whether or not applicable to us, could have a material adverse effect on our reputation and, consequently, may undermine the confidence of depositors and investors in us. As a result, our business, financial condition and results of operations may be materially and adversely affected.

**RISKS RELATING TO THE PRC**

**China's economic, political and social conditions, government policies, as well as the global economy may continue to affect our business.**

All of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition or results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

Our performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social and regulatory developments and many of these risks are beyond our control. All such factors may adversely affect our business and operations as well as our financial performance.

**The legal protections available to the investors under the PRC legal system may be limited.**

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new and the development of products, investment instruments and environment in the PRC banking industry continue to evolve, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

**You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.**

We are a joint stock company incorporated under the laws of the PRC with limited liability, and substantially all of our assets are located in the PRC. In addition, a majority of our Directors, Supervisors and all of our senior management personnel reside within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors, Supervisors and senior management personnel, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

In 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administration Region Pursuant to Choice of Court Agreements between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgment", "specific legal relationship" and "written form". A final judgment that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court and we cannot assure you that a final judgment that complies with the 2006 Arrangement can be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the "**2019 Arrangement**"). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among other things. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

**We are subject to PRC government controls on currency conversion, and the fluctuation of the RMB exchange rate may materially and adversely affect our business and our ability to pay dividends to our H Shareholders.**

Substantially all of our revenue is denominated in RMB, which is currently not a fully freely convertible currency. A portion of our revenues must be converted into other currencies in order to meet our foreign currency obligations. For instance, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing laws and regulations on foreign exchange, following the completion of the Global Offering, we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements. We review the authenticity and compliance of such payment according to relevant regulations. In the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. As a result, we may not be able to pay dividends in foreign currencies to our H Shareholders.

The value of the RMB against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. The PRC government has since introduced further changes to the exchange rate system in 2012 and 2014. On August 11, 2015, PBoC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. On the same day, the central parity of RMB against the U.S. dollar depreciated by nearly 2% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. On December 31, 2016, the International Monetary Fund announced that RMB had joined its Special Drawing Rights currency market. In 2016, the value of RMB depreciated approximately 6.8% against the U.S. dollar. In

2017, the value of RMB appreciated approximately 5.8% against the U.S. dollar. In 2018, the value of RMB depreciated approximately 5.0% against the U.S. dollar. In 2019, the value of RMB depreciated approximately 1.7% against the U.S. dollar. For the year ended December 31, 2020, the value of RMB appreciated approximately 6.5% against U.S. dollar. For the three months ended March 31, 2021, the value of RMB depreciated approximately 0.7% against the U.S. dollar. With the development of foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system. It is difficult to predict how market forces or the PRC or U.S. governmental policies, including any US interest rate adjustments by the Federal Reserve of the United States, may impact the exchange rate between RMB and the U.S. dollar in the future.

We believe our current exposure to risk relating to fluctuations in exchange rates is limited. As of March 31, 2021, approximately RMB1,209.0 million, 0.2% of our assets and approximately RMB1,200.7 million, 0.2% of our liabilities were denominated in foreign currencies. However, our foreign currency business may expand and, therefore, any appreciation of the RMB against the U.S. dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the RMB may adversely affect the value of, and any dividends payable on, our H Shares in foreign currencies. As the instruments available for us to hedge our exchange rate risk at reasonable cost are limited, we cannot assure you that we will be able to fully hedge our exchange rate risk exposure relating to our foreign currency- denominated assets. Any appreciation of the RMB against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of our customers, particularly those deriving substantial income from export related businesses. As a result, their ability to perform their obligations to repay their debt to us may be adversely impacted. Moreover, we are also currently required to obtain approval from SAFE before converting large amounts of foreign currencies into RMB. All of these factors could adversely affect our financial condition and results of operations.

**Our H Shareholders may be subject to PRC taxation on dividends paid by us and gains realized through their disposal of our H Shares.**

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC domestic resident individuals are generally subject to PRC individual income tax under the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold such tax from dividend payments. According to relevant applicable regulations, generally, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. There remains uncertainty as to whether gains realized upon disposal of H Shares by non-PRC domestic resident individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC enterprise income tax at the rate of 10% on dividends received from PRC companies and gains realized upon disposal of equity interests in the PRC companies pursuant to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) and other applicable PRC tax regulations and statutory documents, which can be reduced or eliminated under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides. As of the Latest Practicable Date, there are no specific rules about how to levy tax on gains realized by our non-resident enterprise H Shareholders through the sale or transfer by other means of H Shares.

There remains uncertainty as to how the PRC tax laws, regulations and statutory documents are interpreted and implemented by the PRC tax authorities. PRC tax laws, regulations and statutory documents may also change. If there are any unfavorable changes to applicable tax laws or interpretations or application with respect to such laws, the value of your investment in our H Shares may be materially affected.

For details, please see Appendix VI — "Taxation and Foreign Exchange" to this prospectus.

**Payment of dividends is subject to restrictions under PRC laws.**

Under PRC law and our Articles of Association, dividends may only be paid only out of distributable profits after the listing. Our profit distribution plan is subject to approval by a Shareholders' general meeting. In addition to the financial statements prepared in accordance with PRC accounting standards and regulations, we will also prepare financial statements in accordance with IFRS or the accounting standards of the jurisdiction in which we are listed. After the Listing, profit after tax available for distribution for a particular financial year shall be the lower of profit after tax as shown in the financial statements prepared under the accounting standards mentioned above. We are prohibited from paying dividends for a given year out of our profit after tax to our Shareholders in proportion to their respective shareholdings before making up any accumulated losses of previous years and making appropriations to the statutory surplus reserve and general reserve as well as discretionary reserve as approved by our Shareholders' meeting. As a result, we may not have distributable profits to make dividend distributions to our Shareholders, including in respect of periods where we have recorded an accounting profit. Any distributable profits not distributed in a given year may be retained and available for distribution in subsequent years. In addition, CBIRC has discretion to restrict dividend payments and other distributions by any bank that has failed to meet statutory capital adequacy ratio requirements or that has violated certain other PRC banking regulations. For details, please see "Supervision and Regulation — Supervision over Capital Adequacy — CBIRC's Supervision of Capital Adequacy".

**RISKS RELATING TO THE GLOBAL OFFERING**

**There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.**

Prior to the completion of the Global Offering, no public market has existed for our H Shares. The initial Offer Price range to the public for our H Shares is the result of negotiations between us on behalf of ourselves and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. There can be no assurance that an active trading market for our H Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline below the initial Offer Price.

**The trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.**

The price and trading volume of our H Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices and demand for our products or services could cause large and sudden changes in the volume and price at which our H Shares will trade. In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our H Shares.

**Future offerings, sales, perceived sales or conversion of substantial amounts of Shares in the public market (including any future conversion of unlisted Shares into H Shares) could materially and adversely affect the prevailing market price of our H Shares and our ability to raise additional capital in the future, or could result in dilution in shareholding of our H Shareholders.**

The market price of our H Shares could decline as a result of future offerings or sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the issuance of new H Shares or other securities relating to our Shares or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds were raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the ownership percentage of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the H Shares.

Upon the completion of the Global Offering, we will have two classes of ordinary shares, H Shares and Domestic Shares. All of our Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange. Assuming the Over-allotment Option is not exercised, there will be 1,148,091,000 H Shares representing 16.67% of our enlarged share capital and 5,740,454,510 Domestic Shares representing 83.33% of our enlarged share capital. Our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant regulatory authorities, including CSRC, shall have been obtained in accordance with the regulations of the State Council's securities regulatory authorities as well as regulations, requirements and procedures of relevant overseas stock exchanges. The listing of such converted Shares on the Hong Kong Stock Exchange will also require the approval by the Hong Kong Stock Exchange. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

**Because the Offer Price of our H Shares may be higher than our net tangible book value per Share, purchasers of our H Shares in the Global Offering will experience immediate dilution upon such purchase.**

The Offer Price of our H Shares may be higher than our net tangible book value per Share of the outstanding Shares issued to our existing Shareholders as of March 31, 2021. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, our H Shareholders may experience a further dilution of their shareholding percentage if the Joint Global Coordinators on behalf of the International Underwriters exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

**Dividends distributed in the past may not be indicative of our dividend policy in the future.**

In 2018, 2019 and 2020, we declared and distributed cash dividends of RMB1,308.8 million, RMB1,366.2 million and RMB1,492.5 million for the previous years ended December 31, 2017, 2018 and 2019, respectively. As of the Latest Practicable Date, save for the declaration of special dividend of approximately RMB861.1 million, please see "Financial Information — Dividend — Special Dividend", there was no declared but unpaid dividends. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size dividends will be paid in the future. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors deem relevant. We may not have sufficient or any profits for dividend distributions in the future, even if our financial statements indicate that our operations have been profitable. Please see "Financial Information — Dividend — Dividend Policy".

**We cannot assure you of the accuracy of facts, forecasts and statistics derived from official government publications contained in this prospectus with respect to China, its economy or its banking industry.**

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and the PRC and global banking industries, including our market share information, are derived from various governmental sources and information published by various government authorities and departments, such as PBoC, CBIRC, the International Monetary Fund, the Statistics Bureaus of Guangdong Province and other provinces, or other public sources. We believe that these sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or their respective directors or any other person involved in the Global Offering, and no representation is given as to its accuracy. In addition, these facts, forecasts and statistics may not be consistent with information available from other sources, and may not be complete or up to date. As a result, you should not place undue reliance on such information.

**Our H Shareholders are exposed to the risk that the price of our H Shares could drop during the potential time gap between pricing and trading of our H Shares.**

Our H Shares will not commence trading on the Hong Kong Stock Exchange until such H Shares are delivered, which is expected to be several Business Days after the date on which the Offer Price of our H Shares is determined. As a result, investors may not be able to sell or otherwise deal in our H Shares during that gap period. As such, our H Shareholders are exposed to the risk that the price of our H Shares could drop before trading begins as a result of adverse market conditions or other adverse developments that could occur during such gap period.

**U.S. FATCA withholding tax may be imposed on payments on the H Shares.**

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a withholding regime with respect to "withholdable payments", generally U.S. source payments of dividends and interest and, beginning in 2019, gross proceeds from the disposition of property that can produce U.S. source payments, and, in the future, may impose such withholding on "foreign passthru payments" made by a "foreign financial institution" (an "**FFI**"), unless such FFI complies with certain diligence and reporting requirements. Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the H Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments on the H Shares made before January 1, 2019. Beginning with payments made after the later of January 1, 2019 and the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published in the U.S. Federal Register, an FFI may be required to withhold under FATCA in respect of "foreign passthru payments" made to other FFIs that are not participating FFIs or otherwise exempt from or in deemed compliance with FATCA or to persons that are account holders of such FFI that fail to provide information sufficient to determine whether such person is exempt from FATCA withholding. The United States has entered into an intergovernmental agreement (an "**IGA**") with Hong Kong (the "**Hong Kong IGA**"), and has agreed in substance with the PRC to an IGA (the "**PRC IGA**"), which potentially modifies the FATCA withholding regime described above. Under the FATCA rules and the IGAs, we and our subsidiaries that are treated as FFIs will be subject to the diligence and reporting obligations under FATCA or an applicable IGA. In order to avoid the withholding regime described above, we and each of our subsidiaries intend to comply with the diligence and reporting requirements under FATCA in accordance with relevant laws and regulations, which may affect how we structure our operations and conduct our business. It is not yet clear how the Hong Kong IGA and the PRC IGA will address foreign passthru payments.

Although final regulations defining the term "foreign passthru payments" have not yet been published in the U.S. Federal Register, we do not expect that payments we make will be considered foreign passthru payments. Therefore, we do not expect that we will be required to withhold any amount in respect of FATCA from distributions that we make on the H shares. However, a financial institution through which payments are made may be required to withhold under FATCA if such intermediary is not exempt from FATCA withholding (including pursuant to the terms of any applicable IGA). Prospective investors in the H Shares should consult their tax advisors regarding the potential impact of FATCA, the PRC IGA, the Hong Kong IGA and any non-U.S. legislation implementing FATCA, on their investment in the Shares.

**Prospective investors should rely only on this prospectus, and not place any reliance on any information contained in press articles or other media, in making their investment decision.**

We have not authorized anyone to provide prospective investors with information that is not contained in, or is different from what is contained in, this prospectus. Prior or subsequent to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information purportedly about us contained in such unauthorized press and media coverage may be untrue and may not reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly prospective investors should not rely on any such information. In making their decision as to whether to purchase our H Shares, prospective investors should rely only on the information included in this prospectus and the Green Application Forms.