



东莞农村商业银行
DRC Bank

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

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

ANNUAL REPORT
2021

www.drcbank.com

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* Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行股份有限公司) is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

■ Highlights



1. The Board of Directors, the Board of Supervisors and the Directors, Supervisors and senior management of the Bank hereby warrant the truthfulness, accuracy and completeness of the contents of this report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.
2. On March 25, 2022, the 45th meeting of the fourth session of the Board of Directors of the Bank was held at Conference Room of Dongguan Rural Commercial Bank Building. It considered and approved “Proposal on the 2021 Annual Report of Dongguan Rural Commercial Bank Co., Ltd.”. 17 Directors were eligible for attending the meeting and 17 Directors were present. 3 Supervisors attended the meeting. The convening of the meeting is in compliance with relevant requirements of the Company Law of the People’s Republic of China and the Articles of Association of Dongguan Rural Commercial Bank Co., Ltd..
3. The 2021 financial statements prepared in accordance with International Financial Reporting Standards, have been audited by our auditors PricewaterhouseCoopers, who have issued a standard auditor’s report with unqualified opinion.
4. Mr. Wang Yaoqiu, the legal representative and chairman of the Bank, Mr. Fu Qiang, the president, Mr. Chen Wei, the person-in-charge of accounting and Ms. Zhong Xuemei, the head of the accounting department, hereby declare and warrant the truthfulness, accuracy, and completeness of the financial statements in this report.
5. The Bank proposed to (i) provide 10% or RMB560 million of the audited net profit of the Bank for the year of 2021 as statutory surplus reserve, (ii) provide 10% or RMB560 million of the net profit as general reserve and (iii) based on total share capital, cash dividends of RMB0.29 per share (tax inclusive). Remaining undistributed profit will be carried forward to next year. The implementation of the above profit distribution plan is subject to consideration and approval at the 2021 annual general meeting. The dividend, if approved by the Shareholders at the 2021 annual general meeting, is expected to be paid on or before 15 July 2022. Further details in relation to the distribution of the final dividend and the book closure arrangement will be announced in the circular of 2021 annual general meeting of the Bank.
6. The forward-looking statements included in this report are based on current plans, estimates and projections. Although the Board of Directors believes that the expectations reflected in these forward-looking statements are reasonable, the Board of Directors and the Group gives no assurance that these expectations will realize or proved to be correct and should not be considered as commitment of the Group. Investors and persons concerned should fully aware of the risks and understand the difference between plans, estimates and commitments.
7. During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. Details of the major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are described in this report. Please refer to the information in the “Risk Management” section in the “Management Discussion and Analysis” chapter of this report.

8. In different circumstances, this report discloses relevant information on Group basis or at level of the Bank only. Therefore, there exists inconsistency between the data of the “Group” and the “Bank” which is not due to data error, but due to the difference in the scope of the data. Unless otherwise specified, the financial information set out in this report represents the consolidated data from the financial statements of the Bank together with its subsidiaries, namely Huizhou Zhongkai Dongying County Bank Company Limited, Yunfu Xinxing Dongying County Bank Company Limited, Dongguan Dalang Dongying County Bank Company Limited, Hezhou Babu Dongying County Bank Company Limited, Zhanjiang Rural Commercial Bank Co., Ltd. and Guangdong Chaoyang Rural Commercial Bank Co., Ltd..
9. Certain figures expressed in this report are the direct aggregation of the relevant breakdowns and there may be slight discrepancies due to rounding rather than data error.
10. This report is prepared in both Chinese and English. If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

■ Definitions



Definitions of commonly used terms in this report

<p>“133” project</p>	<p>the “133” project rural revitalization financial services of Dongguan Rural Commercial Bank, that is, focusing on the goal of the rural revitalization strategy, to promote high-quality and efficient agriculture, promote rural livability and industry, and promote the prosperity of farmers, and fully implement the three dispatch systems of dispatching rural revitalization financial instructors, party building and co-construction liaisons, and inclusive financial service personnel</p>
<p>“1+12348” strategic plan</p>	<p>the strategic plan for the second three-year development plan (2021-2023) of the third transformation of Dongguan Rural Commercial Bank, which is, with “high-quality development led by the Party building in the new era” as one guidance, building a “regional modern rural commercial bank group” as one goal; implementation of digitalization and grouping as the two major starting points; implementation of technology, talent and capital as three major drivers; building a core competitiveness system of “four beams and eight pillars (四樑八柱)”, including a core customer management system based on “grid + scenario”, the core business system based on “market share + profitability”, the comprehensive risk management system based on “compliance operation + risk management and control” and the organizational management system based on “incentive and restraint + corporate culture”</p>
<p>“1+3+N”</p>	<p>the marketing model of “1” core enterprise, project or platform as the entry point, extending financial services to its “Three-chain” of industrial chain, supply chain and value chain and “N” relates to small and micro enterprises and retail banking customers on their chains</p>
<p>“Articles of Association” or “Articles”</p>	<p>unless otherwise indicated in the context, the articles of association currently in force of the Bank</p>
<p>“Bank” or “our Bank” or “Dongguan Rural Commercial Bank”</p>	<p>Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行股份有限公司), a joint stock company established on December 22, 2009 through restructuring in the PRC with limited liability, and includes its predecessor, branches and sub-branches (for the avoidance of doubt, excluding its subsidiaries)</p>
<p>“Board of Directors”</p>	<p>the board of Directors of our Bank</p>
<p>“Board of Supervisors”</p>	<p>the board of Supervisors of our Bank</p>

Definitions

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huizhou Zhongkai Dongying County Bank”	Huizhou Zhongkai Dongying County Bank Company Limited (惠州仲愷東盈村鎮銀行股份有限公司), a joint stock company incorporated on December 13, 2010 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	the date on which the H Shares of the Bank were listed and traded on the Main Board of the Hong Kong Stock Exchange, being September 29, 2021
“Listing Rules”	unless otherwise indicated in the context, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited currently in force
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers sets forth in Appendix 10 to the Listing Rules
“Non-performing loan(s)” or “NPL(s)”	loans classified as substandard, doubtful and loss under our five-level loan classification system, with reference to the Guidelines of Risk-based Classification of Loans issued by CBRC in 2007
“One Core with Two Wings”	refers to the strategic layout where Guangdong-Hong Kong-Macao Greater Bay Area is regarded as the core, and east and west of Guangdong as the two wings of the Bank, forming a new pattern of regional group operation that takes root in Dongguan, serves the Guangdong-Hong Kong-Macao Greater Bay Area, and radiates across Guangdong Province
“PBoC”	The People’s Bank of China, the central bank of the PRC
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the year ended December 31, 2021
“Sannong”	the Chinese acronym of, collectively, nongye (agriculture), nongcun (rural areas) and nongmin (farmers)
“SFO”	Unless otherwise indicated in the context, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) currently in force
“Share(s)”	ordinary share(s) of the Bank, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s), including Domestic Shareholder(s) and H Shareholder(s)

“SME(s)”	collectively, small and micro enterprise(s) by number of employees, operating revenue, total assets and other indicators in accordance with the 2017 Measures for Classification of Large, Medium, SMEs for the Purpose of Statistics (《統計上大中小微型企業劃分辦法(2017)》) issued by NBS of the PRC
“Supervisor(s)”	the supervisor(s) of our Bank
“Three-chain”	the customer groups of industrial chain, supply chain and value chain of modern manufacturing enterprises
“Three innovations”	the abbreviation of customer groups of start-up entrepreneurs, innovative research and development institutions, and advanced technology manufacturer
“Three major personnel” stationing system	refers to the grass-root work system for Dongguan Rural Commercial Bank to provide rural revitalization financial services, in which branches of the Bank dispatch service personnel to all administrative villages and communities within their jurisdiction, to serve as (i) revitalization financial instructors, (ii) party building and co-construction liaisons, and (iii) inclusive financial service personnel
“Yunfu Xinxing Dongying County Bank”	Yunfu Xinxing Dongying County Bank Company Limited (雲浮新興東盈村鎮銀行股份有限公司), a joint stock company incorporated on December 23, 2011 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Zhanjiang RCB”	Zhanjiang Rural Commercial Bank Co., Ltd. (湛江農村商業銀行股份有限公司), a joint stock company incorporated on October 26, 2019 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank

■ Chairman's Statement



ONLY KEEPING UP SPIRITS TO OVERCOME DIFFICULTIES AND STRIVE HARDER FOR ENDLESS JOURNEY

2021 is not only an extraordinary year in the history of the Party and the country, but also a milestone in the history of Dongguan Rural Commercial Bank. Standing at the historical intersection of two centuries, we promoted high-quality development while adhering to the original mission of serving real economy, and achieved the “quantitative” growth of operating results and the “qualitative” leap of brand value. Every footprint on the way forward reflects our effort in deep practice of national strategies, pursue of transformation and innovation, careful development of customer ecology and continuous deepening of banking value.

Looking back 2021, we remembered numerous exciting achievements.

During the year, we forged ahead and achieved better results. We achieved sustained and coordinated development in efficiency, quality and scale. The total assets of the Group were RMB593.361 billion, and the market share of deposits and loans has remained the first in the banking industry of Dongguan for 26 consecutive years. In 2021, the net profit was RMB5.703 billion, with ROA and ROE of 1.00% and 12.87% respectively, maintaining the forefront of Hong Kong listed PRC banks; the Group' non-performing loan ratio of was 0.84% and the provision coverage rate was 375.34%, asset quality remains at an excellent level, and the risk resistance ability has continued to enhance.

During the year, as a company based in Dongguan, we expanded our business towards the Bay Area. Being successfully listed on the Hong Kong Stock Exchange, the Bank has become the 13th listed rural commercial bank in China and the first listed financial institution in Dongguan, realizing three historic leapfrogs in more optimized shareholders' structure, more apparent market value and more standardized operation and management, and successfully starting a new journey in the international capital market. Our brand influence in Guangdong-Hong Kong-Macao Greater Bay Area was significantly improved.

During the year, we have set up strong foundations and walked steadily and far. We set up a digital transformation office to build a customer-centric smart digital bank with the strategy of “running in small steps and winning locally”. We invested in and controlled Chaoyang RCB, improved the group management of “one core and two wings”, and integrated into the construction and competition pattern of the Greater Bay Area. Focusing on core customer groups, core business, organizational management and risk management, we have improved the “four beams and eight pillars” core competitiveness system that can support long-term development, and our ability to serve customers has been significantly enhanced.

During the year, we kept our original intention in mind and embraced responsibility with passion.

We established the first rural revitalization financial service center in Dongguan, and implemented the “133” project of rural revitalization financial services. Nearly 4,000 stationed personnel visited villages, streets and alleys, factories and shops, went deep into village groups (communities) to deliver services to the door of the masses, and composed a series of “financial movements” that benefit the villages; we have actively devoted ourselves to the front line of the Covid-19 prevention and control, and more than 1,080 anti-pandemic pioneer teams “Little Lanjia” have been sent all over the city to carry out volunteer services. Besides, we have launched a series of measures to reduce fees and give profits, and helped enterprises in bailouts, served and repaid the society, fully demonstrated our role of the main force of local finance and the main force of “Sannong”.

Looking forward to the new journey in 2022, we will stick to our splendid ambition and be determined to do it, and sail to the future with efforts.

Closing following the pace of new starting point of “Double 10,000” with a GDP of trillions and a population of 10 million in Dongguan, we have made great strides into the “Double New” new track of the new system of group management and the new mechanism of listed banks. Facing the major historical opportunities of the “three-zone superposition”¹ of Dongguan, our heart is towards the future, but we never forget why we came, and we stick to our original intention, but never stop developing and innovating. In this era full of uncertainties, only customers are our greatest wealth, only service is the magic weapon for our success, and only people's well-being is our ultimate pursuit.

We will focus on rural revitalization and accelerate the improvement of the quality and efficiency of services for modern Sannong Finance.

Making people's lives happy is “the most important for the country”. Provision of rural revitalization financial services is still the main battlefield for us to practice inclusive finance and serve real economy. We will adhere to the market positioning of supporting agriculture, small businesses and industries, shoulder the mission and responsibility of promoting local rural revitalization, and further leverage the “basic + genetics” advantages of the Bank. We will deepen the “133” project of rural revitalization financial services, strengthen the “three dispatches” personalized services and resource support, and focus more abundant financial resources on key areas of rural revitalization, so as to provide the villagers, enterprises and village communities with the “last meter” of inclusive financial services, and to provide strong financial support for promotion of common prosperity.

1. “Three-zone superposition” refers to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the construction of Shenzhen as a pilot demonstration zone for socialism with Chinese characteristics, and the construction of Dongguan as a provincial manufacturing supply-side structural reform and innovation experimental zone

We will embrace the digital economy and firmly take the road of digital transformation. The rapid development of financial technology is profoundly changing the banking ecosystem. On the inevitable road of digital transformation which is full of opportunities and challenges, we will be guided by the new development concept and actively implement the national strategy of digital economy. With focus on the urban characteristics of “scientific and technological innovation + advanced manufacturing” of Dongguan and strategic principle of “forward-looking layout and characteristic development” of the Bank, we will insist on two-wheel drive of “organizational collaboration + technological innovation”, follow three main development lines of “mobile priority, grid intensive cultivation and industrial breakthrough”, create a “new form” of organization from a high starting point, open a “new ecology” with high-quality layout, build a “new base” for data with high standards, and efficiently run through the “new process” of operation. We will embed digitization into the whole life cycle of customer service to provide more convenience and create greater value for customers.

We will deepen customer management and comprehensively build a core customer ecosystem. The fish cannot be separated from the rivers and the sea, and the good trees cannot be separated from the vast forest. In the era of cross-border symbiosis and ecological success, we will strive to build a dynamic, open and shared customer ecosystem, and form an ecosystem that is closely linked, mutually influenced and interdependent. We will nourish the growth of customers in ecosystem by infiltrating with the “smell” of “friendly + closing to life”. “Friendly supporting” is to make every effort to support the development of local real economy for stabilizing the industrial chain and supply chain; “closing to life” is to solve actual difficulties of customers in terms of survival and development for stabilizing enterprises and employment. We will carefully guard this unique “smell” in customer ecosystem and promote deep integration and symbiotic harmony between Dongguan Rural Commercial Bank and customers.

Spring is coming and future is promising. We are facing the most difficult spring cold in two years of anti-epidemic, and we also feel the “spring” and “warmth” under the triple pressure of China’s economy. At this moment, we need to face the sea and embrace spring flowers. We shall continuously enhance the perception as “the duck witness the warmth of river first in the spring”, innovate and move forward with determination; we shall actively plan the cohesive force as “watering roots frequently for blooming”, consolidate the foundation and overcome difficulties. We look up into the distance with confidence in our eyes, and lower our heads to perform real deeds with perseverance in our heart. On the broad stage of the Guangdong-Hong Kong-Macao Greater Bay Area, we will move forward hand together with you, and continue to write a new chapter in new era with new responsibilities and new actions.

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





Wang Yaoqiu
Chairman of Dongguan Rural
Commercial Bank



Fu Qiang
President of Dongguan Rural
Commercial Bank

■ Chapter I Company Profile and Business Overview



I. CORPORATE INFORMATION

Chinese legal name	東莞農村商業銀行股份有限公司
Abbreviation of Chinese name	東莞農商銀行
English legal name	Dongguan Rural Commercial Bank Co., Ltd.
Abbreviation of English name	DRC Bank or DRCB
Legal representative	Wang Yaoqiu
Authorized representatives under the Listing Rules	Ye Jianguang, Wong Wai Chiu
Authorised representative under the Hong Kong Companies Ordinance	Wong Wai Chiu
Secretary to the Board of Directors	Ye Jianguang
Joint company secretaries	Ye Jianguang, Wong Wai Chiu

II. GENERAL INFORMATION

Registered address	No.2, Hongfu East Road, Dongcheng District, Dongguan City, Guangdong Province, the PRC
Postal code	523123
Website	www.drcbank.com
Customer service hotline	(86) 769-961122
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Listed stock exchange	The Stock Exchange of Hong Kong Limited
Stock short name and code	DRCB, 9889.HK
H Shares Registrar	Computershare Hong Kong Investor Services Limited
Domestic Shares Depository	China Securities Depository and Clearing Corporation Limited
Domestic auditors	Pan-China Certified Public Accountants LLP
International auditors	PricewaterhouseCoopers
PRC legal advisor	C&T Partners
Hong Kong legal advisor	King & Wood Mallesons
Compliance advisor	ICBC International Capital Limited
Designated information disclosure websites	Website of the Hong Kong Stock Exchange (www.hkex.com.hk) Website of the Bank (www.drcbank.com)
Place for inspection of information disclosure	Office of the Board of Directors of the Bank
Date of establishment as joint stock company	December 22, 2009
Registered capital ⁽¹⁾	RMB5,740,454,510
Unified Social Credit Code	914419007829859746
Financial license number	B1054H244190001

Note:

- (1) The number of shares of the Bank before Listing on the Hong Kong Stock Exchange was 5,740,454,510 and the registered capital was RMB5,740,454,510. Upon the Listing on the Hong Kong Stock Exchange on September 29, 2021, the total number of shares increased to 6,888,545,510 shares, but the registered capital remained at RMB5,740,454,510 as the update of registered capital is still in progress in accordance with regulatory requirements.

III. COMPANY PROFILE

Dongguan Rural Commercial Bank, as an independent legal entity, is a headquarter-level local joint-stock commercial bank. Our development history can be traced back to 1952 and our predecessor is Dongguan Rural Credit Cooperative Association. The Bank completed the reform as unified legal person in 2005, completed the reform as joint-stock company in 2009, and successfully listed on the Hong Kong Stock Exchange on September 29, 2021 (stock code: 9889.HK).

Since the reformation from rural credit cooperative to rural commercial bank in 2009, Dongguan Rural Commercial Bank has been growing rapidly. In particular, since the promotion of the third transformation in 2016, the Bank has achieved sustained and coordinated development of efficiency, quality and scale, and the assets scale has reached a higher level. As of the end of December 2021, the total assets of the Group amounted to RMB593.361 billion, the balance of deposits was RMB413.961 billion, and the balance of loans was RMB298.115 billion, indicating that we have officially entered the rank of medium-sized bank.

According to the statistics of the international authoritative journal “The Banker” in 2021, in terms of tier-one capital as of December 31, 2020, Dongguan Rural Commercial Bank ranked 261st in the global banking industry, jumping to the top 300 in the global banking industry. Dongguan Rural Commercial Bank ranked 43rd in the “Top 100 Banks in China of 2021” released by China Banking Association in terms of net core tier-one capital and other statistical indicators as of December 31, 2020, and 6th among rural commercial banks in the PRC. In terms of brand honor, Dongguan Rural Commercial Bank won the “Dongguan City Government Quality Award”, the “Dongguan City Benefit Contribution Award” and the “Dongguan Civilized Unit” issued by the Dongguan Municipal Party Committee and Municipal Government. The Bank was awarded as the “National Role Model Bank of Rural Commercial Bank” by the CBIRC, “China Top 500 Private Enterprises” by All-China Federation of Industry and Commerce, and “2020 China Top 500 Enterprises of Service Industry” by China Enterprise Confederation and China Entrepreneurs Association. In the banking awards initiated and organised by domestic authoritative media, Dongguan Rural Commercial Bank won various awards, including the “Best Rural Commercial Bank of the Year” and the “Annual Special Contribution Award for Supporting Local Economic Development”, etc. According to CCICR and other credit rating institutions, our corporate credit rating has remained at AAA since October 2017, the highest credit rating of corporates in China, and the rating outlook maintained stable.

As of the end of December 2021, Dongguan Rural Commercial Bank has established a total of 505 business entities (including the headquarters), with 39 tier-one branches and sub-branches, 186 tier-two sub-branches and 279 offices, and has developed a variety of onsite and offsite financial services such as 7*24-hour telephone banking, online banking, mobile banking and WeChat banking. In addition, Dongguan Rural Commercial Bank has been boosting financial cultural innovation. The Dongguan Numismatic Museum (東莞市錢幣博物館), elaborately built by the Bank, has nearly 20,000 pieces (sets) in its collection, and has been awarded as the “National Grade III Museum”, “Top Ten Folk Collections in Guangdong Province” and the “Dongguan Patriotism Education Base”. The Bank has also built the bank heritage museum that inherits its nearly 70 years of development history, demonstrating the charm of local finance.

In recent years, Dongguan Rural Commercial Bank has further developed into a regional group. The Bank established four branches outside Dongguan including Nansha branch in Guangdong Pilot Free Trade Zone, Hengqin branch in Guangdong Pilot Free Trade Zone, Huizhou sub-branch and Qingxin sub-branch, as well as four county banks in Huizhou Zhongkai, Yunfu Xinxing, Dongguan Dalang and Hezhou Babu, and strategically became the controlling shareholder of Zhanjiang RCB and Chaoyang RCB, and invested in Shunde Rural Commercial Bank, Xuwen Rural Commercial Bank, Lechang Rural Commercial Bank and Yaan Rural Commercial Bank, which has preliminarily formed a new regional group development pattern of “One Core with Two Wings” with Dongguan as center, Guangdong-Hong Kong-Macao Greater Bay Area as the core, and East Guangdong and West Guangdong as two complements. The Bank radiated financial services to customer groups in the Greater Bay Area, built customer ecosystem in the Greater Bay Area, and fully contributed to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the integrated development of Guangdong, Hong Kong and Macau.

IV. DEVELOPMENT STRATEGY, INVESTMENT VALUE AND CORE COMPETITIVENESS

Development Vision:

Build a regional modern rural commercial banking group

Strategic Plan:

Initiate the “1+12348” strategic deployment, and further advance “transformation and value enhancement” mission in the third transformation.

“**One Guidance**” refers to the high-quality development led by the Party building in the new era, to unify the Party leadership with corporate governance, the Party building with operation and management of the Bank as well as Party’s discipline with cadres’ requirements through enhancing spirit construction, organization construction, discipline construction and team construction.

“**1 Goal**” means building a modern rural commercial bank with further capital marketization, more significant digital transformation, and more distinctive group operation under the environment of Guangdong-Hong Kong-Macao Greater Bay Area as the core, with East Guangdong and West Guangdong as the two complements.

“**2 Starting points**” refers to **(1)** focusing on “digitalization”, to reshape our business logic, profit model, operation system, risk control model and organizational system with digital mindset to accelerate the building of a smart digital bank; and **(2)** focusing on “collectivization”, to explore the construction of a new rural commercial bank model that is compatible with the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and to implement a coordinated development strategy so as to achieve full customer coverage, comprehensive services, and full linkage of risk control.

“3 Major drivers” refers to **(1)** adhering to technology-driven, empowering value creation with technology, and deepening the integration of technology and business, so as to gradually realize the transformation from technology-supported to technology-driven; **(2)** insisting on talent-driven, exerting great effort to build a talent-driven organization, forming an endless talent generating, training and incentivizing mechanism, and giving full play to human capital advantage; and **(3)** insisting on capital-driven, fully integrating capital management into business management, improving capital utilization, and improving the return on capital of subsidiaries to maximize capital value.

“4 Beams of foundation” refers to **(1)** focusing on core customers, that is, focusing on the modern “Sannong” customer group, the “Three-chain” customer group in advanced manufacturing, and the “three-innovation” customer group of medium, small and micro enterprises, so to create a dynamic customer ecology; **(2)** focusing on core businesses, promoting the comprehensive development of corporate finance, retail finance, SME finance, interbank finance and digital finance to create business segments with competitive advantage; **(3)** focusing on risk management, adhering to the management principles of “rule-based management”, improving the construction of a comprehensive risk management platform, and promoting the integration of risk culture with business and management; and **(4)** focusing on organizational management, building an empowering commercial bank, and realizing the transformation from organizational control to organizational empowerment.

“8 Pillars of support” refers to **(1)** building the dual pillars of “grid + scenario”, creating a comprehensive core customer service management system, and creating value for customers; **(2)** building the dual pillars of “market share + rate of return”, creating a market-leading core business system, and comprehensively serving the real economy; **(3)** building the dual pillars of “compliance operation + risk management and control”, creating a modern comprehensive risk management system to strike the balance between risk management and value creation; and **(4)** building the dual pillars of “incentive and restraint + corporate culture”, creating a high-quality organizational management system, stimulating the initiative of the team, and enhancing the unity of the team.

3rd Transformation and Upgrading
2nd Three-year
Development Planning

“1+12348”

One Guidance

High-quality development led by
the Party building in the new era

One Goal

Creating a regional modern
rural commercial bank group

Two Starting Points

Digital and group-based

Three Major Drivers

Driven by technology, talent and capital

Core Customers

Grid-based

Core Businesses

Scenario-based

Market share

Yield

Risk Management

Compliance
operation

Risk management
and control

Organizational
Management

Incentive
and constraint

Corporate
culture

Investment Value and Competitive Advantages:

Prosper the business area, unique strategic opportunities. The Group has deeply cultivated the Dongguan market, developed based on the Greater Bay Area, seized the the opportunity to develop the two provincial sub-centers in Shantou and Zhanjiang, stabilized the main structure of “One Core with Two Wings”, and took a strong lead in the local banking industry, with the market share in terms of deposits and loans ranked first in the Dongguan banking industry for consecutive years. The strong economic strength, complete industrial infrastructure and abundant market vitality of Dongguan and the Guangdong-Hong Kong-Macao Greater Bay Area have laid important foundation and secured the performance improvement and sustainable development of the Group. The national strategy of “Guangdong-Hong Kong-Macao Greater Bay Area”, the location advantage of “overlapping three districts” and the new local starting point of “double 10,000 (雙萬)” have also provided broad potential customer base and development prospect for the Group.

Clear and firm development strategy, balancing scale, quality and effectiveness. The Group adheres to strategy-led development, clearly defines the development vision of building a regional modern rural commercial bank group, initiates the “1+12348” strategic plan, maintains strategic focus, effectively responds to complex economic cyclical fluctuation, and insists on the road of coordinated development of effectiveness, quality and scale. The operating scale of the Group grows steadily and enters the rank of medium-sized banks, with the asset quality continues to be optimized, non-performing loan ratio remains at a low level in the industry, profitability rises steadily which continues to create value for Shareholders, and return on assets and return on capital rank among the first echelon of listed banks.

Origin-focused service structure, quality and effective business development. The Group always adheres to the main responsibility and main business of “supporting agriculture, supporting SMEs and supporting real economy”, with traditional business alongside emerging business focusing on customers, centering on transformation and being driven by innovation, and strives to achieve a comprehensive improvement in market share obtaining ability, innovation and development ability, product coverage ability and professional operation ability, and provides customers with efficient and comprehensive financial services, gradually forming a situation of general development of core businesses with “excellent and strong” corporate finance, “comprehensive and strong” retail finance, “solid and strong” SMEs finance, “flexible and strong” interbank finance as well as “fine and strong” digital finance.

Coordinated development of organization and management, flexible and efficient operating mechanism. The Group effectively leverages the advantages as a regional small and medium-sized bank, adheres to market-oriented operation, deepens organizational reform, and continues to promote front-line empowerment. The Group makes quick decisions on business deployment, responds quickly to customer needs, identifies risks quickly, and achieves high operational efficiency. The Group makes full use of networks and geographical advantages, implements the “133” project of rural revitalization financial services according to local conditions, and innovatively builds the “1+3+N” grid marketing model. The Group focuses on serving the core customer groups of the “three threes (三個三)”, and further promotes inclusive financial services to maintain strong market competitiveness.

Solid risk management and continued excellent asset quality. The Group adheres to the operating principle of seeking progress while maintaining stability, and emphasizes the mutual promotion and coordinated development of “steady growth” and “risk prevention”. The Group implements the principle of “rule-based management”, builds a full-coverage risk management and control system, applies full-process risk control technology and creates a risk control culture in which all employees participate, enhances the digitalization of risk management, and effectively prevents and mitigates various risks, maintaining asset quality at an excellent level, escorting the sustainable development of business operation.

Technology-driven development, full power acceleration of digital development. With the strategy of “running in small steps”, and through the empowerment of financial technological (“fintech”) innovation, the Group continuously improves the top-level design of digital transformation, strengthens the training of fintech talents, establishes digital mindset, reshapes operation mechanism and strengthens data governance. The Group also enhances the organisational coordination capabilities, deepens the implementation of digital application, promotes the close integration of technology and business, strives to create a new model of digital finance, and accelerates the creation of “smart digital bank”.

Professional and solid corporate governance with realistic and pragmatic corporate culture. The Group has established a sound governance structure of “the shareholders’ general meeting, the Board of Directors, the Board of Supervisors and senior management”, and formed a “diversified interests, coordination and checks and balances” shareholding structure with state-owned, private, foreign, natural person and employee shareholders through Listing; the senior management team has extensive experience in financial management with strong stability, which could affirm management ideas and team building. The Group creates good corporate culture, adheres to the business philosophy of “customers are our greatest wealth”, deeply roots the corporate atmosphere of “respecting superiors, loving inferiors, being sincere to others, and being truthful to facts”, insists on the enterprise motto of “accompanying, trusting and growing with each other”, and uses culture to unite the entire Group for coordinated and common development.

V. MAJOR HONORS AND AWARDS IN 2021

No.	Name of honor/award	Awarding/granting authority	Date
1	Ranked 261st in the “Global Top 1000 Banks” (ranked by Tier 1 capital) (全球銀行1000強榜單第261名(按照一級資本排名))	“Banker”, British Journal	June 2021
2	The second prize in the collection and selection of confidential publicity and education works to celebrate the 100th anniversary of the founding of the Communist Party of China (慶祝中國共產黨成立100週年保密宣傳教育作品徵集評選活動二等獎)	Office of the Central Secrecy Commission of the Communist Party of China, State Secrecy Bureau	June 2021
3	Ranked 43rd in the “2021 China Top 100 Banking Industry List” Ranked 6th in the rural commercial banks in China (Based on net core tier 1 capital) (2021年中國銀行業100強榜單]第43位 全國農村商業銀行第6位 (按核心一級資本淨額統計))	China Banking Association	July 2021
4	The 11th China Rural Financial Brand Value List Top Ten Rural Financial Institutions Helping Resumption of Work and Production (第十一屆中國農村金融品牌價值榜 全國農村金融十佳助力復工復產機構)	China Cooperative Times, China Finance Magazine	July 2021
5	2021 China Golden Tripod Award Annual Green Finance Award (2021中國金鼎獎年度綠色金融獎)	Daily Economic News	October 2021
6	2021 China Golden Tripod Award Annual Supporting Local Economic Development Award (2021中國金鼎獎年度支持地方經濟發展獎)	Daily Economic News	October 2021
7	2021 Outstanding Service Rural Revitalization Bank (2021年度優秀服務鄉村振興銀行)	China Finance	November 2021
8	2021 High Quality Development Bank Dimensity Award (2021年度高質量發展銀行天璣獎)	Securities Times	November 2021
9	Excellent Brand Construction Bank in 2021 (China Online Banking Industry Selection) (2021年度優秀品牌建設銀行(中國網銀行業評選))	China Finance	November 2021
10	China Financial Billboard 2021 Regional Service Leading Bank (中國財經風雲榜2021年度區域服務領軍銀行)	Hexun.com	December 2021
11	“Annual Best Financial Product Technology Innovation Award” of 2021 Financial Digital Development Gold List Award (2021年金融數字化發展金榜獎 「年度最佳金融產品科技創新獎」)	Financial Digital Development Alliance	December 2021
12	2021 China Bond Member Business Development Quality Evaluation Top 100 Self-operated Settlement (2021年度中債成員業務發展質量評價自營結算100強)	China Central Depository & Clearing Co., Ltd.	February 2022
13	Top 20 Enterprises in Dongguan by Principal Operating Income in 2021 (2021年度東莞市主營業務收入前20名企業)	CPC Dongguan Committee, the People’s Government of Dongguan	February 2022
14	Dongguan City Benefit Contribution Award 2021 (2021年度東莞市效益貢獻獎)	CPC Dongguan Committee, the People’s Government of Dongguan	February 2022



Let the business and the city grow together

Industry condenses the blood of the city to support transformation and upgrading. This is the goal of our career, and also important mission entrusted by the times

■ Chapter II Accounting Data and Financial Indicators Highlights



(Unit: RMB'000)

Operating results	For the year ended December 31					Percentage increase/ (decrease) for the Reporting Period as compared to the previous year (%)
	2021	2020	2019	2018	2017	
Operating income	12,996,314	12,047,047	11,795,227	9,777,587	8,775,282	7.88
Profit before tax	5,989,651	5,372,109	5,700,774	5,034,228	4,517,123	11.50
Net profit	5,702,920	5,055,317	4,870,249	4,453,306	4,164,849	12.81
Net profit attributable to the shareholders of the Bank	5,589,700	4,856,926	4,935,856	4,482,351	4,126,310	15.09

(Unit: RMB/share)

Per share	For the year ended December 31,/as at December 31,					Percentage increase/ (decrease) for the Reporting Period as compared to the previous year (%)
	2021	2020	2019	2018	2017	
Net asset per share attributable to the shareholders of the Bank	6.88	6.30	5.89	5.15	4.18	9.21
Basic earnings per share	0.93	0.85	0.86	0.78	0.72	9.41
Diluted earnings per share	0.93	0.85	0.86	0.78	0.72	9.41

Chapter II Accounting Data and Financial Indicators Highlights

(Unit: RMB'000)

Scale indicators	As at December 31,					Percentage increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year (%)
	2021 ⁽²⁾	2020 ⁽²⁾	2019 ⁽²⁾	2018 ⁽²⁾	2017 ⁽³⁾	
Total assets	593,361,093	548,401,956	461,208,802	407,904,652	373,457,466	8.20
Including: Gross loans and advances to customers (excluding accrued interest)	298,114,972	261,450,611	205,826,808	164,352,813	145,306,613	14.02
Expected credit loss provision/impairment provision for loans and advances to customers ⁽¹⁾	9,091,156	7,358,778	7,308,900	7,222,218	5,758,473	23.54
Total liabilities	543,378,980	509,759,142	425,737,021	378,070,079	349,047,826	6.60
Including: Total deposits from customers (excluding accrued interest)	413,961,013	372,589,791	309,918,540	261,509,568	240,716,877	11.10
Share capital	6,888,546	5,740,455	5,740,455	5,740,455	5,740,455	20.00
Shareholders' equity	49,982,113	38,642,814	35,471,781	29,834,573	24,409,640	29.34
Including: Equity attributable to shareholders of the Bank	47,378,632	36,145,627	33,814,404	29,588,480	23,994,375	31.08
Non-controlling interests	2,603,481	2,497,187	1,657,377	246,093	415,265	4.26

Notes:

- (1) Including the provision for expected credit losses on loans and advances to customers measured at amortized costs and the provision for expected credit losses on loans and advances to customers at fair value through other comprehensive income.
- (2) Classification and measurement of financial instruments based on the requirements of IFRS 9 upon its adoption on January 1, 2018.
- (3) Classification and measurement of financial instruments based on the requirements of IAS 39.

(Unit: %)

Profitability indicators	For the year ended December 31,					Percentage point increase/ (decrease) for the Reporting Period as compared to the previous year
	2021	2020	2019	2018	2017	
Return on average total assets ⁽¹⁾	1.00	1.00	1.12	1.14	1.16	–
Return on average equity ⁽²⁾	12.87	13.64	14.92	16.42	17.47	(0.77)
Net interest spread ⁽³⁾	1.90	2.10	2.10	1.98	1.98	(0.20)
Net interest margin ⁽⁴⁾	1.96	2.16	2.18	2.05	2.06	(0.20)
Cost-to-income ratio ⁽⁵⁾	34.18	31.51	28.84	29.98	31.71	2.67

Notes:

- (1) Rate of return was calculated by dividing the net profit for the year by the average balance of total assets at the beginning and the ending of the year.
- (2) Rate of return was calculated by dividing the net profit for the year by the average balance of total shareholders' equity at the beginning and the ending of the year.
- (3) Calculated as the difference between the average yield on interest-earning assets and the average cost ratio of interest-bearing liabilities.
- (4) Calculated by dividing the net interest income by the average balance of total interest-earning assets.
- (5) Calculated by dividing the total operating expenses (excluding tax and surcharges) by total operating income.

(Unit: %)

Capital adequacy indicators ⁽¹⁾	As at December 31,					Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
	2021	2020	2019	2018	2017	
Core tier-one capital adequacy ratio ⁽²⁾	13.90	11.54	12.63	12.08	11.15	2.36
Tier-one capital adequacy ratio ⁽³⁾	13.94	11.57	12.65	12.09	11.15	2.37
Capital adequacy ratio ⁽⁴⁾	16.29	14.00	15.30	14.84	14.06	2.29
Ratio of total equity to total assets	8.42	7.05	7.69	7.31	6.54	1.37

Notes:

- (1) Calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)). The calculation scope of capital adequacy ratio comprises of all branches and financial institution subsidiaries in compliance with the requirements of the Administrative Measures for the Capital of Commercial Banks (Trial).
- (2) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by total risk-weighted assets.
- (3) Calculated by dividing tier-one capital, net of tier one capital deductions, by total risk-weighted assets.
- (4) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

(Unit: %)

Asset quality indicators	As at December 31,					Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
	2021	2020	2019	2018	2017	
Non-performing loan ratio ⁽¹⁾	0.84	0.82	1.00	1.27	1.29	0.02
Allowance coverage ratio ⁽²⁾	375.34	375.13	389.57	345.74	306.93	0.21
Allowance to total loan ratio ⁽³⁾	3.15	3.06	3.88	4.39	3.96	0.09

Notes:

- (1) Calculated by dividing the amount of non-performing loan (excluding accrued interest) by total amount of loans (excluding accrued interest), where the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the fair value on the acquisition date.
- (2) Calculated by dividing the balance of loan impairment provision by total non-performing loans (excluding accrued interest), where the balance of loan impairment provision does not include the balance of loan impairment provision recorded under loans in other comprehensive income and the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the fair value on the acquisition date.
- (3) Calculated by dividing the balance of loan impairment provision by total loans (excluding accrued interest), where the the balance of loan impairment provision does not include impairment allowances recorded under loans in other comprehensive income and the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the fair value on the acquisition date.

(Unit: %)

Other indicator	As at December 31,					Percentage point Increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
	2021	2020	2019	2018	2017	
Loan-to-deposit ratio ⁽¹⁾	72.11	70.36	66.65	62.85	60.36	1.75

Note:

- (1) Calculated by dividing total loans to customers (excluding accrued interest) by total deposits (excluding accrued interest), where the loan to deposit ratios of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated at the original book value of the loans but not the fair value on the acquisition date.



**You do your best to
achieve your career
We devote every
effort to achieve you**

We create together from good to better

■ Chapter III Management Discussion and Analysis



I. OVERALL OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Operation Overview

In 2021, in the face of the complex external environment and fierce market competition, and based on the “1+12348” strategic planning and deployment, the Group has maintained strategic focus, strengthened strategic execution, and adhered to the continuous and coordinated development of efficiency, quality and scale, and achieved significant improvements in operating performance, brand influence and business development.

As at the end of the Reporting Period, the total assets of the Group amounted to RMB593.361 billion, representing an increase of RMB44.959 billion or 8.20% as compared with the end of the previous year. The balance of deposits was RMB413.961 billion, representing an increase of RMB41.371 billion or 11.10% as compared with the end of the previous year. The balance of loans was RMB298.115 billion, representing an increase of RMB36.664 billion or 14.02% as compared with the end of the previous year. The Bank has achieved steady growth in the scale of assets and liabilities.

As at the end of the Reporting Period, the non-performing loan ratio of the Group was 0.84%. The capital adequacy ratio of the Group was 16.29%, the tier 1 capital adequacy ratio was 13.94%, and the allowance coverage ratio was 375.34%. The asset quality remained at an excellent level and the overall risk was stable and controllable.

In 2021, the Group realized a pre-provision profit of RMB8.433 billion, a year-on-year increase of RMB286 million or 3.52%; the net profit was RMB5.703 billion, a year-on-year increase of RMB648 million or 12.81%. ROA (return on assets) and ROE (return on equity) was 1.00% and 12.87%, ranked among the top of listed banks in Mainland China, with profitability growing steadily.

(II) Implementation of Business Development Strategies

During the Reporting Period, the Bank closely centered on the deployment of the “1+12348” strategic plan, and focused on building a core competitiveness system of “four beams and eight pillars”. The Bank took “three threes” as its core customer base, “1+3+N” grid marketing as its fundamental marketing strategy, “scenario-based” as its customer acquisition channel, and “digital transformation” as its core driving force, striving to achieve high-quality development of business operation and management.

1. **Comprehensively marketing the core customer groups of “three threes” and strengthening refined management**

During the Reporting Period, the Bank proactively promoted the core customer management project of “three threes (三個三)”, focused on the customer groups of “modern Sannong”, “three chains” and “three innovations”, targeted core customers, improved service capabilities, and promoted transformation of marketing strategies.

Firstly, to establish the rural revitalization financial service brand and serve the “modern Sannong” client group. In response to the call of the Party and the country, the Bank took the lead in establishing the rural revitalization financial service center among the banking industry in Dongguan in April 2021. As a tier-one department of the head office, it made every effort to promote the rural revitalization financial service work, centering on the three main lines of “industry-booming countryside, beautiful countryside and benefiting residents (產業興村、美麗鄉村、普惠村民)”. In 2021, the Bank innovatively launched and vigorously implemented the “133” project of rural revitalization financial services, promoted the three major personnel stationing systems for rural revitalization, delegated rural revitalization financial instructors, party building and co-construction liaison personnel, and inclusive financial service personnel to all administrative villages (including communities) of Dongguan. The Bank innovatively launched series of “Rural Revitalization Credit Card”, developed specified online comprehensive credit product namely “Enriching People Loan (富民貸)” and conducted the “giving credit limit to whole village” activities in combination with different local cultural characteristics, realized the penetration of conclusive financial service into villages and households, connected the “last mile” of serving rural revitalization, enabling innovative products and services reach rural enterprises and villagers. As of the end of 2021, the Bank had partnered with party organizations in 597 village groups and communities in Dongguan to jointly work on party building, with 100% coverage ratio. The balance of deposits from “modern Sannong” customers was RMB198.974 billion, representing an increase of RMB21.342 billion or 12.01% as compared with the beginning of the year; the balance of loans to “modern Sannong” customers was RMB56.312 billion, representing an increase of RMB9.779 billion or 21.02% as compared with the beginning of the year.

Secondly, to strengthen in-depth management of the “three chains” customer group of industrial finance. The Bank developed the industrial financial services, kept a close eye on the pace of industrial structure adjustment in Dongguan, fully supported people’s livelihood and key industrial fields including high-end manufacturing, new generation information industry, biomedical industry, environmental protection and education, boldly broke through the bottleneck of traditional businesses, promoted comprehensive industrial financial services focusing on ten major industries, and deepened the marketing services for the industrial chain, supply chain and value chain of advanced manufacturing industry, and comprehensively promoted the industrial development of the people’s livelihood, urban modernization and manufacturing in Dongguan. As of the end of 2021, the Bank had given credit limit of loans for 119 industrial parks in Dongguan with an amount totalled RMB32.604 billion and the amount of loans granted exceeded RMB20.811 billion. The balance of loans supporting manufacturing and related industries amounted to RMB39.379 billion, representing an increase of RMB10.412 billion or 35.94% as compared with the end of last year, of which medium and long-term loans exceeded RMB21.887 billion, representing an increase of 49.64%, accounting for more than 55.58%. Additionally, the Bank actively supported “specialized and innovative” corporate customers, applied the new service model of “industrial finance” to empower the “specialized and innovative” chain marketing, conducted multiple rounds of door-to-door visits to small giant enterprises, deeply understood customers’ financial business needs and launched financial service proposals.

Thirdly, to continuously launch and optimize featured products and vigorously support the “three innovations” customer group in SMEs. The Bank has launched key products including the “Excellent Enterprise Loans (優企貸)”, “Overpayment Quick Loans (超抵快貸)”, “Sci-insurance Loans (科保貸)” and “Stable Business Loans (穩業貸)”, and vigorously supported the “three innovations” customer group. Among them, the “Stable Business Loans (穩業貸)” won the first prize in the “Financial Empowerment for Facilitating Enterprises and Benefiting People” service project competition of Dongguan financial system in 2021; and the “Sci-insurance Loans (科保貸)” was selected as the “Representative Case of Inclusive Finance in China’s Banking Industry (2021)” and became the trustworthy product for “three innovations” customers. As of the end of 2021, the balance of the “three innovations” loans to SMEs amounted to RMB2.498 billion, representing a net increase of RMB754 million or 43.20% as compared with the beginning of the year, providing strong financial support for the “three innovations” customer group of SMEs.

2. Fully implemented the “1+3+N” grid mode and improved the coordinated service ability

Focusing on the “three threes (三個三)” customer groups including the modern Sannong customer group, “three chains” customer group of modern manufacturing and “three-innovation” customer group of SMEs, the Bank innovatively implemented the “1+3+N” grid marketing service, and extended financial services to the supply chain, industrial chain and value chain of core enterprises or leading enterprises with the chain marketing concept of “a tree in sight and a forest in heart (眼前一棵樹、心中一片林)”, and provided a package of comprehensive financial services for “N” SMEs and individuals in the “three chains”, and built a closed-loop industrial financial customer ecosystem step by step.

Firstly, focusing on “1” and deepening cooperation with “primary” partners. With high-quality customers such as medical, transportation and education industries, leading enterprise projects, major municipal projects, enterprises that could go public in the future and fast-growing enterprises as the breakthrough point, the Bank focused on marketing and expanding to reach upstream and downstream enterprises, SMEs, retail and other businesses. As of the end of 2021, the average daily balance of assets (including all wealth management products) of the high-quality corporate customers of the Bank amounted to RMB109.713 billion, representing an increase of RMB16.367 billion as compared with the beginning of the year. Also, the Bank is the cooperative bank of many public hospitals, connects to the static parking charging system in Dongguan, and relates to the smart campus projects of many public colleges and universities.

Secondly, expanding “3” and extending the business chain. Taking advantages of the regional advantages of rich industrial chains, complete supply chains and prominent value chains of Dongguan, the Bank proactively broadened the perspective of “Three-chain”. In terms of industrial chain arrangement, the Bank focused on the whole life cycle of the industrial chain, strengthened the development of relevant products, and introduced the “Listing Service (上市通)” and other plans to diversify the application scenarios of the industrial chain; the Bank paid close attention to the “chain leader” of the industrial chain, provided products and services such as payroll service, striving to improve the customer stickiness in the industrial chain, thereby the average daily settlement balance of corporate loans of the Bank amounted to RMB17.838 billion, and the Bank continued to expand the size of agency service customers, with an agency service amount totalled RMB54.654 billion during the year. In terms of strengthening the supply chain, the Bank promoted the construction of platforms and systems including the industrial financial service platform, Park Pass (園區通) and Bank-Campus Connection (銀校通), constantly enriched the service scenarios, promoted the City Financing Connection (城新通) and “specialized and innovative” service plans, etc., to continue to customize services for supply chain customers. Among them, the industrial financial service platform project won the “Special Funds for Promotion of High-quality Economic Development (Financial Development) in 2021”. The Bank was the only banking institution in Guangdong Province to obtain the funds. In terms of deepening the value chain, taking the loan customers as the breakthrough point, the head office and branches coordinated and focused on the leading enterprises and platforms, diversified the private banking business scenarios, well implemented the marketing among high-quality customer groups, and made concerted efforts in the four core steps of customer identification, acquisition, motivation and retention by benchmarking commercial associations and organizations, building a systematic platform and strengthening the relationship with villages and groups, so as to expand the marketing channels.

Thirdly, collecting “N” and consolidating our ability of bulk customer acquisition. In 2021, in terms of large-scale retail business, we have focuses on the two major customer groups of small and micro enterprises and retail individuals, and met customer needs in batches. In terms of targeting the “N” customer groups of SMEs, we have developed the “one branch, one platform” project in batches, designed personalized solutions based on the characteristics of towns and streets, and comprehensively cultivated SMEs, focused on expanding batch platforms such as cooperation of government, enterprises and the Bank, professional markets, factories and workshops, and achieved a cumulative credit amount of over RMB10.2 billion. In terms of digging deep into the “three chains” value of retail individuals, with collection and payment service and mortgage as the connection points, we have strengthened public-private linkages, expanded the retail customer base, optimized online channels such as super APP, and introduced retail customers on the whole chain of “1+3+N” into the product system of the Bank. With the support of PCRM system data and according to the needs and characteristics of customers at all levels, we have provided corresponding financial products and services, and realized the effective connection between the level management of “1” retail customers to “N” level customers and the corresponding service packages. As of the end of 2021, the monthly average of the retail assets under management (AUM) was RMB242.993 billion, an increase of RMB24.745 billion from the beginning of the year, and the number of high-quality customers was 701,600, an increase of 46,400 from the beginning of the year.

3. Built the “scenario-based” pillar in an all-round way and improved the customer acquisition capability of the scenario

The Bank has continued to build an open business ecosystem. Through in-depth promotion of scenario-based construction, we have met the “financial + non-financial” service needs of core customers from multiple dimensions, embedded financial services into various life and production scenarios of our core customer groups, and carried out integrated marketing through online and offline channels with actions on both ends.

Firstly, accelerating the iterations of online channels with focus on improving customer experience. We have strived to seize the dividends of financial technology, strengthened the platform-based, systematic and digitalized business operation, and strived to build a complete online financial service ecosystem. The contribution of online business has maintained rapid growth. As of the end of 2021, the accumulated personal mobile banking users of the Bank reached 3,364,400, an increase of 334,000 over the beginning of the year. Average monthly active users (MAU) in 2021 was 702,000, a year-on-year increase of 115,000. The number of bound accounts on WeChat Bank was 1,039,600, an increase of 44.93%. In the mobile banking channel, the purchase amount of wealth management, funds and insurance achieved a year-on-year increase of 123.20%, 172.66% and 130.90%, respectively. The overall cash flow level of the online pipeline and platform continued to increase, provided a solid customer base for the online business operations of the Bank.

Secondly, accelerating the remodeling of offline pipelines with focus on improving the production capacity of outlets. We have formulated the “Three-Year Plan for Outlet Planning and Digital Construction”, initiated the transformation of outlets, implemented the whole-process management of outlet construction and the integrated construction of smart equipment, started the construction of pilot 5G outlets, and enriched scenario-based services. We also have promoted cloud banking project, as of the end of 2021, the cloud banking project has installed 319 smart devices in 217 business offices, and the promotion agency has set up the post of comprehensive service specialist. We have further optimized the customer experience while improving the business replacement rate.

Thirdly, accelerating the creation of cross-border channels with focus on acquiring customers in multiple scenarios. We have optimized the service platform of industrial finance, connected with the public resource trading center and other external cooperative institutions, and strengthened cooperation with the industrial Internet platform; connected with external platforms, shared customer resources, and achieved batch acquisition of customers. We have also built a centralized collection platform in open banking and provided fund clearing services for enterprise systems; set up an open banking ecosystem, connected with the Human Resources and Social Security Bureau and other cooperative units to provide functions such as payroll on behalf of others. We also launched new functions of the wealth management system, which further enhanced our customer acquisition and marketing capabilities.

4. Comprehensively Promoted the Strategy of Digital Transformation. Enhanced the Driving Force of Technology

Digital transformation is the main theme of the current development of modern commercial banks. The Bank has built a digital mindset, followed the strategy of “running in small steps”, empowered us through the innovation of financial technology, strengthened the talent training of financial technology, deepened the reform of the innovation mechanism, and made every effort to realize our goal of building a “smart digital bank”. In 2021, the Bank has improved the top-level design of digital transformation, set up a digital transformation office, intensified the introduction of professional talents in the digital field, enhanced the organization and coordination capabilities of the Bank, promoted the integration of business and technology, and deepened the application practice of digitization.

Firstly, consolidating the foundation of technological infrastructure. We have promoted the construction of technology centers and new data centers in an orderly manner, built a cloud computing platform and a new generation network system, realized the dual-active application of all important information systems in the same city, strengthened operation, maintenance and management, optimized IT architecture and disaster recovery system. We have also improved the level of business support and business continuity, strengthened network security management, and ensured the security and stability of the information system in an all-round way.

Secondly, deepening the application of financial technology. We have made every effort to promote the integration of online and offline businesses. Through the research and development of the dual-mode of sensitive and steady, we have implemented the innovation-driven development strategy. We have achieved phased results in important projects such as the mobile banking, the D-quick Loan (D快貸) system, the grid management system, and the modern Sannong financial service platform; we also reached new level in the application of financial technologies such as artificial intelligence, block chain and big data. We have launched featured products such as Villager Loans (村民貸), D-Easy Loans (D易貸), and Excellent Enterprise Loans (優企貸). We have also launched digital systems such as Smart Operation (智慧運營) and Smart Finance (智慧金融). We have comprehensively driven business innovation and development with technology, and continuously improved the digital level of financial services. We have completed a total of 2,146 system requirements development during the year, a year-on-year increase of 16.8%, and completed the launch of 80 projects.

Thirdly, improving the efficiency of technological governance. We have formulated the “2021-2023 Technology Strategic Plan of Dongguan Rural Commercial Bank”, which clarified the blueprint and implementation path of digital transformation and technology strategic planning, established a project-based and specialized management mechanism for important work, and strengthened the overall management of information-based projects. The introduction of data analysis tools and systems has revitalized data assets, effectively promoted information technology governance under group operation, and improved the supply efficiency of technology services. Through technical means including cluster analysis, statistical causal testing and value evaluation modeling, we have deeply analyzed the digital operation needs of customers of the Bank, divided and stratified customers into groups, explored valuable customer groups, matched differentiated and refined marketing strategies with rights and interests services, and achieved precise marketing.

(III) Business Operation during the Reporting Period

1. Retail financial business

During the Reporting Period, the Group’s retail finance business focused on grid management, leveraged its advantages in outlets, channels and customer groups, and firmly seized new opportunities such as promoting consumption, expanding domestic demand and technological development, and deepened the transformation of retail business, and promoted the upgrading of retail sales business service and improved the contribution of retail sales business with more professional division of work. As at the end of the Reporting Period, the consumer finance and credit card business of the Group achieved a cumulative issuance of 583,200 credit cards, and the size of consumer finance and credit card assets amounted to RMB26.470 billion, a year-on-year increase of 6.39%. In addition, through technological empowerment to promote the innovation and development of wealth business, the Group promoted the transformation of wealth management into net worth in an orderly manner, with a total wealth management scale of RMB46.041 billion, of which personal wealth management accounted for 87.99%. By the end of 2021, the Bank’s retail customer base assets under management (AUM) amounted to RMB242.993 billion, an increase of RMB24.745 billion over last year.

2. Industrial financial business

During the Reporting Period, the Group advanced the overall development of the Bank’s businesses by focusing on the development of industrial finance, with the balance of corporate deposits achieving RMB168.988 billion and the balance of corporate loans (including direct discounted and rediscounted bills) achieving RMB189.248 billion. Through adopting an innovative “1+3+N” grid-based service model, we focused on building an online industrial financial service platform and upgrading industrial financial services with technology empowerment. The balance of loans to the top ten industries under industrial finance was RMB60.529 billion. We proactively developed the “commercial bank + investment banking” model, with the balance of investment banking business being RMB11.088 billion, the settlement of international business was US\$10.771 billion, the balance of trade financing was RMB4.788 billion, and the comprehensive financial services was perfecting. We have established the rural revitalization financial service center to strengthen the support for “modern Sannong”. The balance of agriculture related loans was RMB44.508 billion.

3. Small and micro finance business

During the Reporting Period, the Group implemented the business strategy of “Full Services for All SMEs”, continuously improved the overall efficiency of SME financial services centering on the theme of high-quality development of SMEs, and made great efforts to significantly improve the financial supply scale, quality, efficiency and benefits of SMEs. As of the end of the Reporting Period, the Group’s loan balance to SMEs (full caliber of the CBIRC) was RMB132.033 billion, among which, the balance of inclusive loans to SMEs of not more than RMB10 million each (excluding discounted bills) was RMB31.001 billion, representing an increase of 31.66% compared with the end of last year. During the year, the weighted interest rate of inclusive SME loans was 5.66%, representing a decrease of 0.21 percentage points compared to that of the previous year; the non-performing loan ratio of inclusive SME loans was 1.34%, which was controlled within 3 percentage points of the non-performing loan ratio of the Group. The Group has steadily promoted the “transactional volume increment and business expansion, quality improvement and cost reduction” of SME financial services.

4. Interbank financial business

During the Reporting Period, the Group adhered to the general strategy of “seeking progress while maintaining stability” for the inter-bank financial business. The Bank closely followed the pace of the Group’s strategic development, proactively adapted to the requirements of the new situation, strengthened strategic research and risk management, improved the scientificity and foresight of decision-making, optimized asset structure, refined liability management, and effectively controlled assets duration, seized volatility trading opportunities, actively explored customer groups, increased the contribution of intermediary business income, and achieved stable development of interbank financial business. In 2021, the Bank was approved to join the underwriting syndicate of Guangdong governmental bonds for 2021-2023 and the banking syndicate of fixed deposit business of Commercial Banks for Cash Management of the Central Treasury, thereby effectively enriching the Bank’s business qualifications. The Bank issued RMB3 billion of special financial bonds for SME loans, effectively reduced the cost of capital and helped tilt credit resources to SMEs. Meanwhile, the Bank comprehensively utilized pledge-style bond repurchase, credit lending and bond trading, and other tools to improve the benefits of the interbank financial business. In 2021, the online business transaction volume exceeded RMB8.67 trillion, and market transactions continued to be active.

5. Digital financial business

During the Reporting Period, the Group adhered to the goal of digital transformation and the strategy of “running in small steps”, accelerated the building of “smart digital bank”, further promoted the integration and upgrading of E-banking channels and advanced the improvement of digital financial services. On the one hand, the Group accelerated the entrance of online APP and deepened the construction of online customer operation platform. On the other hand, the Bank dug deep into user scenarios, optimized customer experience, and built an ecosystem of online pipeline scenarios. As at the end of the Reporting Period, the number of personal mobile banking users of the Bank was 3,364,400, an increase of 11.02%.

(IV) Investment in Financial Technology

The Group continued to increase the investment in financial technology resources, continuously deepened the application of financial technology scenarios, and empowered business innovation and development. In 2021, the total investment in technology was RMB513,552,700. The Bank continues to strengthen building of financial technology talent team and to create financial technology innovation capacity. As of the end of the Reporting Period, the Group had 664 technological personnel (including dispatched personnel).

II. KEY OPERATING DATA FOR THE REPORTING PERIOD

(I) Income Statement Analysis

During the Reporting Period, the Group achieved operating income of RMB12.996 billion, representing an increase of 7.88% over the same period last year, and realized net profit of RMB5.703 billion, representing an increase of RMB648 million or 12.81% from the same period last year, which is mainly due to 6.05% year-on-year increase in net interest income caused by steady growth in the scale of interest-earning assets of the Group, and 16.47% year-on-year increase in net non-interest income caused by increase in fair value of financial assets as a result of decline in market interest rates of bonds during the Reporting Period. The key items of the Group's income statement and the comparative changes are as follows:

(Unit: RMB'000)

Item	For the year ended December 31,		Amount increase/ (decrease)	Percentage increase/ (decrease) (%)
	2021	2020		
Net interest income	10,533,335	9,932,379	600,956	6.05
Net non-interest income	2,462,979	2,114,668	348,311	16.47
Operating income	12,996,314	12,047,047	949,267	7.88
Operating expense	(4,597,330)	(3,924,886)	(672,444)	17.13
Expected credit losses and asset losses	(2,443,167)	(2,774,335)	331,168	(11.94)
Operating profit	5,955,817	5,347,826	607,991	11.37
Share of profits of associates	33,834	24,283	9,551	39.33
Profit before tax	5,989,651	5,372,109	617,542	11.50
Income tax expense	(286,731)	(316,792)	30,061	(9.49)
Net profit	5,702,920	5,055,317	647,603	12.81
Net profit attributable to shareholders of the Bank	5,589,700	4,856,926	732,774	15.09
Net profit attributable to non-controlling interests	113,220	198,391	(85,171)	(42.93)

1. Net interest income

During the Reporting Period, the net interest income of the Bank amounted to RMB10,533 million, representing a year-on-year increase of RMB601 million or 6.05%, mainly due to a similar growth in scale of interest-earning assets and interest-bearing liabilities, where the increase in interest-bearing liabilities mainly consists of increase in customer deposits with a relatively lower average cost ratio, resulting a faster grow in interest income than interest expense, which in turn led to in a year-on-year increase in net interest income.

The following table sets forth the interest income, interest expense and net interest income of the Group during the periods indicated:

(Unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2021	2020		
Interest income	21,957,835	19,517,604	2,440,231	12.50
Interest expense	(11,424,500)	(9,585,225)	(1,839,275)	19.19
Net interest income	10,533,335	9,932,379	600,956	6.05

(1) Net interest spread and net interest margin

During the Reporting Period, the average yield on interest-earning assets of the Group was 4.08%, representing a year-on-year decrease of 0.16 percentage points; the average cost of interest-bearing liabilities was 2.18%, representing a year-on-year increase of 0.04 percentage points; the net interest spread was 1.90%, representing a year-on-year decrease of 0.20 percentage points; the net interest margin was 1.96%, representing a year-on-year decrease of 0.20 percentage points.

The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on assets or related average costs of liabilities for the periods indicated:

(Unit: RMB'000)

Item	For the year ended December 31,					
	2021			2020		
	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾ (%)	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾ (%)
Interest-earning assets						
Loans and advances to customers	279,489,714	14,634,694	5.24	229,066,707	12,728,284	5.56
Financial investments ⁽²⁾	195,180,139	6,420,779	3.29	178,415,998	5,980,844	3.35
Deposits with central bank	32,896,611	480,594	1.46	28,746,464	431,142	1.50
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	30,735,156	421,768	1.37	24,192,216	377,334	1.56
Total	538,301,620	21,957,835	4.08	460,421,385	19,517,604	4.24
Interest-bearing liabilities						
Deposits from customers	387,687,084	7,575,939	1.95	330,883,282	6,465,231	1.95
Debt securities issued	57,039,060	1,807,963	3.17	60,703,973	1,778,187	2.93
Borrowings from central banks	26,266,576	749,669	2.85	10,637,106	322,477	3.03
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	51,965,359	1,268,225	2.44	44,960,604	1,002,156	2.23
Leasing liability	454,970	22,704	4.99	453,622	17,174	3.79
Total	523,413,049	11,424,500	2.18	447,638,586	9,585,225	2.14
Net interest income		10,533,335			9,932,379	
Net interest spread⁽³⁾			1.90			2.10
Net interest margin⁽⁴⁾			1.96			2.16

Notes:

- (1) Calculated by dividing interest income/expense for the period by the average balance.
- (2) Mainly consisted of interest-earning financial assets at amortized cost and financial assets at fair value through other comprehensive income.
- (3) The arithmetic difference between the average yield of all interest-earning assets and the average cost of all interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average balance of total interest-earning assets.

During the Reporting Period, the decrease in average yield on the Group's interest-earning assets as compared to the same period of previous year was mainly affected by changes in the yields of loans and advances to customers and financial investments: firstly, decrease in yield on loans and advances to customers was due to the continued impact of loan repricing and interest concession in favor of the real economy; secondly, decrease in yield on financial investments due to adjustment of financial risk appetite and investment structure and allocated more low-risk bonds such as treasury bonds.

During the Reporting Period, the increase in average cost of the Group's interest-bearing liabilities as compared to the same period of the previous year was mainly affected by changes in the cost of debt securities issued, financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions. The increase in the average cost rate was mainly due to higher market average interbank funding rate level in 2021 than that in 2020.

The following table sets forth the year-on-year changes in the Group's interest income and interest expense due to changes in volume and interest rates:

(Unit: RMB'000)

Item	Year ended December 31, 2021 as compared to 2020		
	Increase/(decrease) due to changes in		Net increase/ (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	2,801,797	(895,387)	1,906,410
Financial investments ⁽⁴⁾	561,966	(122,031)	439,935
Deposits with central bank ⁽⁵⁾	62,244	(12,792)	49,452
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	102,052	(57,618)	44,434
Changes in interest income	3,528,059	(1,087,828)	2,440,231
Interest-bearing liabilities			
Deposits from customers	1,109,907	801	1,110,708
Debt securities issued ⁽⁶⁾	(107,355)	137,131	29,776
Borrowing from central bank	473,827	(46,635)	427,192
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	156,134	109,935	266,069
Lease liabilities	51	5,479	5,530
Changes in interest expense	1,632,564	206,711	1,839,275
Changes in net interest income	1,895,495	(1,294,539)	600,956

Notes:

- (1) Refers to average balance of the year minus average balance of the previous year, multiplied by average yield/cost rate of the previous year.
- (2) Refers to average yield/cost rate of the year minus average yield/cost rate of the previous year, multiplied by the average balance of the year.
- (3) Represents interest income/expense of the year minus interest income/expense of the previous year.
- (4) Mainly consisted of interest-earning financial assets at amortized costs and financial investment at fair value through other comprehensive income.
- (5) Mainly consisted of statutory deposit reserves and surplus deposit reserves.
- (6) Mainly consisted of interbank certificates of deposits, tier-two capital debt securities, green financial debt securities, Sannong financial bonds and SME financial bonds.

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During the Reporting Period, the increase in the Group's interest income was mainly due to the increase in the scale of interest-earning assets, partially offset by the decrease in yield; while the increase in interest expense was mainly due to the combined effect of increase in the scale of interest-bearing liabilities and increase in cost ratio.

(2) Interest income

During the Reporting Period, interest income amounted to RMB21,958 million, representing a year-on-year increase of RMB2,440 million or 12.50%. The following table sets forth the composition of the Group's interest income, their respective proportion and average yield during the indicated periods:

(Unit: RMB'000)

Item	For the year ended December 31,					
	2021			2020		
	Amount	% of total (%)	Average yield (%)	Amount	% of total (%)	Average yield (%)
Loans and advances to customers	14,634,694	66.65	5.24	12,728,284	65.21	5.56
Financial investments	6,420,779	29.24	3.29	5,980,844	30.64	3.35
Deposits with central bank	480,594	2.19	1.46	431,142	2.21	1.50
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	421,768	1.92	1.37	377,334	1.94	1.56
Total interest income	21,957,835	100.00	4.08	19,517,604	100.00	4.24

(i) Interest income from loans and advances to customers

Interest income from loans and advances to customers accounted for 65.21% and 66.65% of our interest income for the year ended December 31, 2020 and 2021, respectively. The following table sets forth the average balance, interest income and average yield for each component of our loans and advances to customers for the periods indicated:

(Unit: RMB'000)

Item	For the year ended December 31,					
	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	172,126,716	9,112,615	5.29	133,068,119	7,460,901	5.61
Personal loans and advances	83,787,142	4,867,530	5.81	78,384,538	4,813,883	6.14
Discounted bills	23,575,856	654,549	2.78	17,614,050	453,500	2.57
Total	279,489,714	14,634,694	5.24	229,066,707	12,728,284	5.56

During the Reporting Period, interest income from loans and advances to customers amounted to RMB14.635 billion, representing an increase of RMB1.906 billion or 14.98% over the same period last year. The increase in interest income was mainly due to the effect of growth in loan size, partially offset by the impact of lower yield. The growth in loans was mainly due to the fact that the Group actively responded to national policies to provide services for real economy and maintained a steady growing trend in loans. Return ratio of loans declined due to the continued impact of loan repricing and fees reduction and interest concession policy.

(ii) Financial investment interest income

For the year ended December 31, 2020 and 2021, financial investment interest income accounted for 30.64% and 29.24% of total interest income, respectively. The majority of interest income from financial investments is derived from interest income from bond investments.

During the Reporting Period, the Group achieved interest income from financial investments of RMB6.421 billion, representing an increase of RMB440 million or 7.36% from the same period last year. The increase in interest income was due to the growth in scale, partially offset by lower yield. Firstly, its subsidiary Chaoyang RCB was consolidated into the Group on December 27, 2020, and its contribution to interest income in 2021 increased significantly as compared with 2020; secondly, the Group adopted stable interest earning strategy and increase its investment in low-risk bonds such as government bonds and local government bonds resulting increase in investment scale of investment in interest-earning financial investment accordingly; thirdly, bond market interest rate reduced generally, and balancing income and risks, increase in investment in low-risk bonds such as government bonds and local government bonds by the Group resulting decrease in the average rate of return.

(ii) Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

The average balance, interest income and average rate of return of each component of the Group's financial assets held under resale agreements and deposits and placements with banks and other financial institutions are as follows:

(Unit: RMB'000)

Item	For the year ended December 31,					
	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Financial assets held under resale agreements	16,731,181	329,599	1.97	12,797,772	221,825	1.73
Deposits and placements with banks and other financial institutions	14,003,975	92,169	0.66	11,394,444	155,509	1.36
Total	30,735,156	421,768	1.37	24,192,216	377,334	1.56

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During the Reporting Period, interest income from financial assets held under resale agreements and deposits and placements with banks and other financial institutions amounted to RMB422 million, mainly due to the increase in both scale and yield of average balance of financial assets held under resale agreements. The increase in average balance of financial assets held under resale agreements was due to increase in scale of deposits, and invested in financial assets held under resale agreements with surplus funds to revitalize assets while ensuring the safety of fund position, thereby increasing the yield of assets; and the increase in yield was due to the capital market rate increased in 2021 as compared to last year as a whole.

(3) Interest expense

During the Reporting Period, interest expense of the Group amounted to RMB11,425 million, representing a year-on-year increase of RMB1,839 million or 19.19%. The following table sets forth the composition of the Group's interest expenses and their corresponding proportion and average cost during the indicated periods:

(Unit: RMB'000)

Item	For the year ended December 31,					
	2021			2020		
	Amount	% of total (%)	Average cost (%)	Amount	% of total (%)	Average cost (%)
Deposits from customers	7,575,939	66.31	1.95	6,465,231	67.45	1.95
Debt securities issued	1,807,963	15.83	3.17	1,778,187	18.55	2.93
Borrowing from the central bank	749,669	6.56	2.85	322,477	3.36	3.03
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,268,225	11.10	2.44	1,002,156	10.46	2.23
Lease liabilities	22,704	0.20	4.99	17,174	0.18	3.79
Total interest expense	11,424,500	100.00	2.18	9,585,225	100.00	2.14

(i) Interest expense on customer deposits

For the years ended December 31, 2020 and 2021, interest expenses on customer deposits accounted for 67.45% and 66.31% of total interest expenses, respectively.

The following table sets forth the average balance, interest expense and average cost rate of each component of the Group's customer deposits during the indicated period:

(Unit: RMB'000)

Item	For the year ended December 31,					
	2021			2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	85,546,822	657,082	0.77	71,032,148	545,189	0.77
Time	75,402,671	2,803,813	3.72	66,798,491	2,479,766	3.71
Subtotal	160,949,493	3,460,895	2.15	137,830,639	3,024,955	2.19
Personal deposits						
Demand	111,259,837	620,562	0.56	95,290,055	538,293	0.56
Time	115,477,754	3,494,482	3.03	97,762,589	2,901,983	2.97
Subtotal	226,737,591	4,115,044	1.81	193,052,644	3,440,276	1.78
Total	387,687,084	7,575,939	1.95	330,883,282	6,465,231	1.95

During the Reporting Period, the Group's interest expense on customer deposits was RMB7.576 billion, representing an increase of RMB1.111 billion or 17.18% year-on-year. The increase in interest expense on customer deposits was mainly due to (1) significant increase in interest expense in 2021 compared to 2020 as a result of the consolidation of its subsidiary Chaoyang RCB on December 27, 2020; (2) benefiting from the "Double 10,000" with a GDP of trillions and a population of 10 million in Dongguan in 2021 as a new starting point, the Bank continued to maintain its leading position in market share of deposits in Dongguan and steady growth in scale through proactive deposit taking.

(ii) Debt securities issued

During the Reporting Period, interest expense on debt securities issued amounted to RMB1.808 billion, representing an increase of RMB30 million year-on-year, mainly due to the combined effect of decline in scale of debt securities issued but rise in interest rate of debt securities issued. In particular, decline in scale is due to: firstly, increase in scale of deposits and funds available, resulting corresponding decrease in demand in issuing debt securities; and secondly, the decrease in financing scale of interbank certificates of deposits due to the broadening of source of liabilities through central bank loans such as medium-term lending facilities. The rise of interest rate is due to the overall rise of interest rate in the capital market.

(iii) Interest expense on borrowing from the central bank

During the Reporting Period, the Group's interest expense on loans from the central bank amounted to RMB750 million, representing an increase of RMB427 million or 132.47% year-on-year, which is mainly due to additional medium-term lending facilities mainly occurred in the second half of 2020, resulting average balance of borrowing from the central bank in 2021 increased as compared with the previous year.

(iv) Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

The average balance, interest expense and average cost of components of financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions are as follows:

(Unit: RMB'000)

Item	For the year ended December 31,					
	2021			2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Financial assets sold under repurchase agreements	22,925,444	490,824	2.14	21,551,446	419,668	1.95
Deposits and placements from banks and other financial institutions	29,039,915	777,401	2.68	23,409,158	582,488	2.49
Total	51,965,359	1,268,225	2.44	44,960,604	1,002,156	2.23

In 2021, the interest expense on deposits and placements from banks and other financial institutions payable by the Group amounted to RMB1.268 billion, representing an increase of RMB266 million or 26.55% year-on-year, mainly due to increase in the Group's deposits from banks and the increase in cost rate due to : firstly, on top of the original customer base, addition of a number of bank and non-bank financial institutions as the counterparties of deposits from banks, which in turn broadened the scope of counterparties and increased the size of deposits from banks; secondly, the overall rise in interest rates in 2021 as compared to 2020.

2. Net non-interest income

During the Reporting Period, net non-interest income amounted to RMB2.463 billion, representing a year-on-year increase of RMB348 million or 16.47%. The following table sets forth the composition and proportion of net non-interest income of the Group during the indicated periods:

(Unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2021	2020		
Net fee and commission income	792,309	940,379	(148,070)	(15.75)
Net trading gains	1,057,806	881,282	176,524	20.03
Net income from financial investments	520,932	181,903	339,029	186.38
Other operating income	91,932	111,104	(19,172)	(17.26)
Total	2,462,979	2,114,668	348,311	16.47

(1) Net fee and commission income

Details of net fee and commission income of the Group are set forth as follow:

(Unit: RMB'000)

Item	For the year ended December 31,			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Fee income from settlement business	76,801	9.69	56,608	6.02
Bank card fee income	245,961	31.04	350,439	37.27
Fee income from trust and fiduciary activities	263,291	33.23	187,656	19.96
Income from wealth management business	359,832	45.42	328,722	34.96
Income from other businesses	44,940	5.68	71,650	7.61
Fee and commission income	990,825	125.06	995,075	105.82
Fee and commission expense	(198,516)	(25.06)	(54,696)	(5.82)
Net fee and commission income	792,309	100.00	940,379	100.00

During the Reporting Period, the Group's net fee and commission income amounted to RMB792 million, representing a year-on-year decrease of RMB148 million, mainly due to the decrease in bank card fee income resulted from the reduction and exemption of finance costs in response to the fee reduction and interest concession policies of PBoC.

(2) Net trading gains

During the Reporting Period, the Group's net trading gains amounted to RMB1.058 billion, representing a year-on-year increase of RMB177 million, mainly due to the increase in fair value of financial assets and price spread resulting from the downward market interest rate of bonds during the Reporting Period.

(3) Net income from financial investments

During the Reporting Period, the Group's net income from financial investments amounted to RMB521 million, representing a year-on-year increase of RMB339 million, mainly due to the decrease in income resulting from the change in valuation of financial investment assets.

3. Operating expense

During the Reporting Period, the Group's operating expenses amounted to RMB4.597 billion, representing an increase of RMB672 million or 17.13% year-on-year. The increase in operating expenses is mainly due to: firstly, consolidation of its subsidiary Chaoyang RCB on December 27, 2020, resulting increase in the Group's operating expense in 2021 full year; and secondly, increase in marketing expenses for promoting business development.

The following table sets forth the main components of the Group's operating expenses during the indicated periods:

(Unit: RMB'000)

Item	For the year ended December 31,		Amount increase/ (decrease)	Percentage increase/ (decrease) (%)
	2021	2020		
Staff costs	3,195,543	2,718,786	476,757	17.54
Taxes and surcharges	155,407	128,287	27,120	21.14
General and administrative expenses	844,017	722,968	121,049	16.74
Depreciation and amortization	394,884	351,126	43,758	12.46
Auditor's remuneration	7,479	3,719	3,760	101.10
Total	4,597,330	3,924,886	672,444	17.13

(1) Staff costs

Staff costs are the largest component of the Group's operating expenses, accounted for 69.51% and 69.27% of operating expenses in 2021 and 2020, respectively.

The following table sets forth the main components of the Group's staff costs during the indicated periods:

(Unit: RMB'000)

Item	For the year ended December 31,		Amount increase/ (decrease)	Percentage increase/ (decrease) (%)
	2021	2020		
Salaries, bonuses, allowances and subsidies	2,410,693	2,005,105	405,588	20.23
Pension and other social benefits	592,537	475,702	116,835	24.56
Enterprise annuity scheme	142,216	152,383	(10,167)	(6.67)
Others	50,097	85,596	(35,499)	(41.47)
Total	3,195,543	2,718,786	476,757	17.54

During the Reporting Period, the Group's staff costs amounted to RMB3.196 billion, representing a year-on-year increase of RMB477 million or 17.54%, mainly due to the consolidation of subsidiary Chaoyang RCB on December 27, 2020, resulting full-year of its staff costs and other operating expenses included in the Group's operating expenses in 2021.

(2) Depreciation and amortization

During the Reporting Period, the Group's depreciation and amortization amounted to RMB395 million, representing an increase of RMB44 million year-on-year, mainly due to the consolidation of subsidiary Chaoyang RCB on December 27, 2020, resulting full-year of its depreciation and amortization included in the Group's operating expenses in 2021.

4. Expected credit losses and asset losses

(Unit: RMB'000)

Item	For the year ended December 31,		Amount increase/ (decrease)	Percentage increase/ (decrease) (%)
	2021	2020		
Customer loans and advances	1,990,554	298,815	1,691,739	566.15
Financial investments	378,200	88,830	289,370	325.76
Credit commitments and guarantee contracts	29,976	5,463	24,513	448.71
Financial assets held under resale agreements, deposit and placement of funds from banks and other financial institutions	21,697	7,381	14,316	193.96
Other assets	22,740	75,666	(52,926)	(69.95)
Asset losses	—	2,298,180	(2,298,180)	(100.00)
Total	2,443,167	2,774,335	(331,168)	(11.94)

(1) Customer loans and advances

During the Reporting Period, the Group's provision for expected credit loss on loans and advances to customers were RMB1.991 billion, representing an increase of RMB1.692 billion from the same period of the previous year, mainly due to the increase in the scale of loans and advances to customers and the Group's intensifying effort in recovery of written off debts.

(2) Financial investment

During the Reporting Period, the Group's provision for expected credit loss on financial investments amounted to RMB378 million, representing an increase of RMB289 million from the same period of the previous year, mainly due to the increase in financial investment scale and further enhancement of risk resistance capability based on the risk position of individually impaired assets and provision of impairment losses under the expected credit loss model.

5. Income tax expense

During the Reporting Period, the Group's income tax expenses amounted to RMB287 million, representing a year-on-year decrease of RMB30 million or 9.49%. The actual income tax rate was 4.79%, representing a decrease of 1.11 percentage points from the same period of the previous year, mainly due to the increase in tax-exempted income from investment in tax-exempted financial assets in 2021.

(Unit: RMB'000)

Item	For the year ended December 31,		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2021	2020		
Current income tax expense	775,806	971,354	(195,548)	(20.13)
Deferred income tax expense	(489,075)	(654,562)	165,487	(25.28)
Total	286,731	316,792	(30,061)	(9.49)

(II) Balance Sheet Analysis

1. Assets

As at the end of the Reporting Period, the total assets of the Group was RMB593.361 billion, representing an increase of RMB44.959 billion or 8.20% over the end of last year, mainly due to the increase in the Group's loans and advances to customers and bond investments.

The following table sets forth the balance of main components of the Group's total assets as of the dates indicated:

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Net loans and advances to customers	289,684,534	48.82	254,641,762	46.43
Cash and balances with central banks	36,211,311	6.10	38,576,454	7.03
Financial investments ⁽¹⁾	242,261,644	40.83	227,713,101	41.52
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15,772,779	2.66	18,707,434	3.41
Investment in associates	455,392	0.08	432,990	0.08
Goodwill	520,521	0.09	520,521	0.09
Property and equipment	2,546,928	0.43	2,432,773	0.44
Right-of-use assets	923,130	0.16	612,164	0.11
Deferred tax assets	3,331,121	0.56	3,054,183	0.56
Others ⁽²⁾	1,653,733	0.27	1,710,574	0.33
Total assets	593,361,093	100.00	548,401,956	100.00

Notes:

- (1) Financial investments include bonds, funds, beneficiary rights of credit assets, and unlisted equity investments.
- (2) Consisted of derivative financial assets, advances to suppliers, long-term deferred expenses, foreclosed assets, research and development expenditures, clearing and settlement, and precious metal.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Group's net loans and advances to customers amounted to RMB289,685 million, representing an increase of RMB35,043 million or 13.76% over the end of last year.

(Unit: RMB'000)

Region	As at December 31, 2021	As at December 31, 2020	Amount (increase/ decrease)	Percentage (increase/ decrease) (%)
Total loans and advances to customers	298,114,972	261,450,611	36,664,361	14.02
Add: accrued interest	598,457	531,968	66,489	12.50
Less: allowance for expected credit loss ⁽¹⁾	9,028,895	7,340,817	1,688,078	23.00
Net loans and advances to customers	289,684,534	254,641,762	35,042,772	13.76

Note:

- (1) Excluding the provision for the expected credit loss of bills rediscounting and forfeiting which is included in other comprehensive income.

The Group's loans and advances to customers mainly consisted of corporate loans, personal loans and discounted bills. For details of the Group's loans and advances to customers, please refer to the "Loan Quality Analysis" section in this chapter.

- (2) Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

As at the end of the Reporting Period, the amount of the financial assets held under resale agreements and deposits and placements with banks and other financial institutions was RMB15.773 billion, a decrease of RMB2.935 billion from the beginning of the year. In particular, the decrease in balance of the financial assets held under resale agreements was mainly due to the Group's use of the financial assets held under resale agreements as a liquidity management tool, and the appropriate reduction in the balance of the financial assets held under resale agreements to ensure the safety of capital positions.

The breakdown of financial assets held under resale agreements and deposits and placements with banks and other financial institutions is as follows:

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits with domestic banks and other financial institutions	4,638,314	29.30	7,445,852	39.73
Deposits with oversea banks and other financial institutions	4,724,001	29.84	4,861,029	25.94
Placements with domestic banks and other financial institutions	1,640,000	10.36	890,822	4.75
Financial assets held under resale agreements	4,826,568	30.50	5,542,874	29.58
Sub-total	15,828,883	100.00	18,740,577	100.00
Add: accrued interest	13,770		15,034	-
Less: impairment allowance	69,874		48,177	-
Total	15,772,779		18,707,434	-

(3) Financial Investments

As at the end of the Reporting Period, the Group's financial investments mainly include bonds, beneficiary rights of credit assets, funds and unlisted equity investments. The Group's total financial investment was RMB242.262 billion, representing an increase of RMB14.549 billion or 6.39% over the end of last year.

Chapter III Management Discussion and Analysis

The following table sets forth the composition of the Group's financial investments as at the dates indicated:

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	43,512,900	17.96	36,101,567	15.85
Financial investment at amortized cost	108,445,277	44.76	111,667,933	49.04
Financial assets at fair value through other comprehensive income	90,303,467	37.28	79,943,601	35.11
Total	242,261,644	100.00	227,713,101	100.00

In particular, as at the end of the Reporting Period, the detailed distribution of the types and amounts of bonds held by the Group is as follows:

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Debt securities issued by the central and local governments	141,643,926	65.57	125,316,630	63.10
Debt securities issued by financial institutions	52,520,073	24.31	36,492,558	18.38
Debt securities issued by enterprises	14,531,482	6.73	27,232,222	13.71
Interbank certificates of deposits	7,313,324	3.39	9,553,717	4.81
Total	216,008,805	100.00	198,595,127	100.00

In particular, the top ten financial bonds (based on nominal value) held by the Group are as follows:

(Unit: RMB'000)

Name of bonds	Issuer	Nominal value	Annual interest rate (%)	Maturity date
18 CDB bond 10 (18國開10)	China Development Bank	2,840,000	4.04	2028-07-06
19 EIBC bond 05 (19進出05)	Export-Import Bank of China	2,530,000	3.28	2024-02-11
19 CDB bond 03 (19國開03)	China Development Bank	2,290,000	3.30	2024-02-01
19 CDB bond 08 (19國開08)	China Development Bank	2,060,000	3.42	2024-07-02
18 CDB bond 11 (18國開11)	China Development Bank	1,700,000	3.76	2023-08-14
18 CDB bond 05 (18國開05)	China Development Bank	1,140,000	4.88	2028-02-09
19 ADBC bond 09 (19農發09)	Agricultural Development Bank of China	740,000	3.24	2024-08-14
21 Bank of Shanghai (21上海銀行)	Bank of Shanghai Co., Ltd.	720,000	3.03	2024-08-20
15 CDB bond 09 (15國開09)	China Development Bank	650,000	4.25	2022-04-13
16 CDB bond 13 (16國開13)	China Development Bank	610,000	3.05	2026-08-25

2. Liabilities

As at the end of the Reporting Period, the total liabilities of the Group were RMB543.379 billion, representing an increase of RMB33.620 billion or 6.60% over the end of last year, which is mainly due to increase in customer deposits and debt securities issued.

The following table sets out the composition of the Group's total liabilities as at the dates indicated:

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from customers	419,065,517	77.12	377,548,894	74.06
Debt securities issued	67,857,602	12.49	50,249,237	9.86
Borrowings from central banks	11,274,598	2.07	30,653,358	6.01
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	40,204,765	7.40	43,482,217	8.53
Lease liabilities	459,079	0.08	450,860	0.09
Financial liabilities at fair value through profit or loss	492,648	0.09	238,841	0.05
Taxes payable	583,389	0.11	822,735	0.16
Other liabilities ⁽¹⁾	3,441,382	0.64	6,313,000	1.24
Total liabilities	543,378,980	100.00	509,759,142	100.00

Note:

(1) Mainly consisted of derivative financial liabilities and salaries payable.

(1) Deposits from customers

The following table sets forth the Group's customer deposits by product category as at the dates indicated:

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits				
– Demand	96,481,862	23.31	86,787,163	23.29
– Time	72,505,963	17.52	61,514,754	16.51
Subtotal	168,987,825	40.83	148,301,917	39.80
Personal deposits				
– Demand	108,524,863	26.22	102,798,196	27.59
– Time	132,886,394	32.10	118,593,507	31.83
Subtotal	241,411,257	58.32	221,391,703	59.42
Other deposits ⁽¹⁾	3,561,931	0.85	2,896,171	0.78
Principal of customer deposits in total	413,961,013	100.00	372,589,791	100.00
Add: accrued interest	5,104,504	–	4,959,103	–
Total deposits from customers	419,065,517	–	377,548,894	–

Note:

(1) Consisted of remittance outstanding and margin deposit.

As at the end of the Reporting Period, in respect of the structure of deposits from customers of the Group, personal deposits accounted for 58.32% with its balance increased by RMB20.020 billion as compared to the end of the previous year, representing an increase of 9.04%; and corporate deposits accounted for 40.83%, with its balance increased by RMB20.686 billion as compared to the end of the previous year, representing an increase of 13.95%. In terms of maturity structure, demand deposits accounted for 49.53%, representing a decrease of 1.35 percentage points as compared to the end of the previous year; and time deposits accounted for 49.62%, representing an increase of 1.28 percentage points as compared to the end of the previous year.

- (2) Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

As at the end of the Reporting Period, the Group's financial assets sold under repurchase agreements and deposits and placements from banks and other financial institution amounted to RMB40.205 billion, representing a decrease of RMB3.277 billion from the beginning of the year. This was mainly due to the combined effect of decrease in financial assets sold under repurchase agreement as a result of reduction in demand of the repurchase business, a short-term liquidity management tool, led by increase in available capital due to increase in scale of deposits from customers; and broadened scope of counterparties, leading to increase in deposits and placement from banks and other financial institutions.

The breakdown of financial assets sold under repurchase agreements and deposits and placements from banks and other financial institution as at the dates indicated is as follows:

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from domestic banks	15,277,563	38.00	11,339,622	26.08
Deposits from non-banking domestic financial institutions	9,816,936	24.42	5,861,294	13.48
Placements from domestic banks	1,100,000	2.74	700,000	1.61
Bonds sold under repurchase agreements	12,730,079	31.66	14,974,791	34.44
Notes sold under repurchase agreements	1,004,938	2.50	10,491,609	24.13
Subtotal	39,929,516	99.32	43,367,316	99.74
Add: accrued interest	275,249	0.68	114,901	0.26
Total	40,204,765	100.00	43,482,217	100.00

3. Shareholders' equity

As of the end of the Reporting Period, the total shareholder equity of the Group was RMB49.982 billion, representing an increase of RMB11.339 billion or 29.34% from the end of the last year, mainly due to the issuance of Shares under Global Offering.

The following table sets forth the composition of the shareholders' equity of the Group as at the dates indicated:

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	6,888,546	13.78	5,740,455	14.86
Capital reserve	6,230,429	12.47	—	—
Surplus reserve	7,737,394	15.48	7,177,594	18.57
General risk provision	6,329,025	12.66	5,767,735	14.93
Revaluation reserve	789,488	1.58	196,291	0.51
Undistributed profit	19,403,750	38.82	17,263,552	44.67
Total equity attributable to shareholders of the Bank	47,378,632	94.79	36,145,627	93.54
Non-controlling interests	2,603,481	5.21	2,497,187	6.46
Total shareholders' equity	49,982,113	100.00	38,642,814	100.00

As at the end of the Reporting Period, the Group's share capital was RMB6.889 billion, the revaluation reserve was RMB789 million, and the undistributed profit was RMB19.404 billion.

4. Asset rights restrictions as of the end of the Reporting Period

As at the end of the Reporting Period, certain of the assets of the Group was used as collateral for the repurchase business and the business of borrowing from the central bank. For details of the pledged assets, please refer to Note 38(e) to the consolidated financial statements in the Financial Report chapter of this report. As at the end of the Reporting Period, the details of the carrying value of the assets used as collateral are as follows:

(Unit: RMB'000)

Item	As at December 31, 2021	Reason for restriction
Bonds	15,205,550	Repurchase business
Bills	1,004,938	Repurchase business
Bonds	12,711,916	Borrowing from the central bank
Loans	18,800	Borrowing from the central bank
Bills	360,470	Borrowing from the central bank
Total	29,301,674	

(III) Cash Flow Statement Analysis

During the Reporting Period, net cash generated from operating activities of the Group was RMB-16.021 billion, while net cash generated for the same period last year was RMB20.314 billion, which was mainly due to the repayment of loans from central bank due during the year; net cash generated from investing activities was RMB-8.692 billion, representing an increase of net outflow of RMB5.989 billion year-on-year, which was mainly due to increase in cash inflow arising from consolidation of Chaoyang RCB last year; and net cash generated from financing activities was RMB20.659 billion, while net outflow for the same period last year was RMB11.498 billion, which was mainly due to the issuance of bond securities during the year and cash raised from listing.

(Unit: RMB'000)

Item	For the year ended December 31,		Amount increase/ (decrease)	Percentage increase/ (decrease) (%)
	2021	2020		
Net cash flow from operating activities	(16,020,597)	20,314,317	(36,334,914)	(178.86)
Net cash flow from investing activities	(8,691,589)	(2,702,723)	(5,988,866)	221.59
Net cash flow from financing activities	20,659,003	(11,498,123)	32,157,126	(279.67)

(IV) Loan Quality Analysis

During the Reporting Period, affected by the continuous impact of the COVID-19 pandemic, the domestic economic development faced triple pressures of shrinking demand, supply shock and weakening expectation. In addition, the Bank strictly implemented the new requirement of "loans overdue for more than 60 days are classified as non-performing", resulting slight decrease in overall loan quality. As at the end of the Reporting Period, the balance of non-performing loans of the Group was RMB2.384 billion, representing an increase of RMB351 million from the end of last year, and the non-performing loan ratio was 0.84%. Going forward, the Group will further enhance the effort on disposal and recovery of non-performing loans and strictly control the quality of new loans, to ensure a steady improvement in overall loan quality.

1. Loan distribution by five-tier loan classification

(Unit: RMB'000)

Item	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	289,987,437	97.27	254,707,323	97.42
Special mention	5,743,473	1.93	4,710,510	1.80
Substandard	673,300	0.23	732,583	0.28
Doubtful	1,591,004	0.53	1,205,590	0.46
Loss	119,758	0.04	94,605	0.04
Total loans to customers	298,114,972	100.00	261,450,611	100.00
NPLs and NPL ratio⁽¹⁾	2,384,062	0.84	2,032,778	0.82

Note:

- (1) Calculated by dividing the amount of NPL (not including accrued interest) by total amount of loans (not including accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans as at December 31, 2020 and December 31, 2021, respectively, and not the fair value on the acquisition date.

As at the end of the Reporting Period, the Group's normal loans amounted to RMB289.987 billion, accounting for 97.27% of all loans, representing an increase of RMB35.280 billion from the end of last year, which was mainly as a result of normal business growth; special mention loans amounted to RMB5.743 billion, representing an increase of RMB1.033 billion from the end of last year which was mainly due to some of the existing normal loans have its interest overdue, and being downgraded to special mention loans.

As at the end of the Reporting Period, the balance of non-performing loans of the Group was RMB2.384 billion, representing an increase of RMB351 million from the end of last year, which was mainly due to non-performing loans of individual corporate customers due to the impact of the pandemic and their own poor management, and the increase in non-performing loans of personal second-hand property mortgages and online loans. In particular, the balance of substandard loans amounted to RMB673 million, representing a decrease of RMB59 million from the beginning of the year, which was mainly due to downgrade to the categories of doubtful loans and loss loans; the balance of doubtful loans amounted to RMB1.591 billion, representing an increase of RMB385 million from the beginning of the year, and the balance of loss loans amounted to RMB120 million, representing an increase of RMB25 million from the beginning of the year.

As at the end of the Reporting Period, the migration ratio of the Group's normal loans was 2.10%, and the risk of normal loans is low and remained stable. The migration ratio of special mention loans was 25.49%, with certain large special mention loans being downgraded to non-performing loans. The migration ratio of substandard loans was 54.01%, with certain substandard loans being further downgraded due to improper disposal. The migration ratio of doubtful loans was 1.38%, continued to maintain a low level.

2. Loans and non-performing loans by product type

(Unit: RMB'000)

Item	As at December 31, 2021				As at December 31, 2020			
	Amount	Percentage of total (%)	NPL amount	NPL ratio ⁽¹⁾ (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio ⁽¹⁾ (%)
Corporate loans⁽²⁾								
Working capital loans	73,039,199	24.50	824,546	1.28	63,073,078	24.12	737,121	1.23
Fixed asset loans	85,547,457	28.70	452,304	0.53	69,532,521	26.59	455,256	0.72
Others	4,794,844	1.61	49,308	1.03	4,068,025	1.57	4,894	0.12
Subtotal	163,381,500	54.81	1,326,158	0.88	136,673,624	52.28	1,197,271	0.94
Personal loans								
Personal business loans	29,199,175	9.79	363,974	1.18	25,609,633	9.80	288,553	1.19
Property mortgages	40,260,382	13.50	356,414	0.89	37,665,358	14.41	273,985	0.73
Credit card overdrafts	6,663,366	2.24	117,995	1.77	8,223,874	3.14	129,156	1.57
Personal consumption loans	32,743,978	10.98	219,521	0.73	26,517,031	10.14	143,813	0.55
Subtotal	108,866,901	36.51	1,057,904	0.98	98,015,896	37.49	835,507	0.87
Discounted bills⁽³⁾								
Bank acceptance draft	25,866,571	8.68	-	-	26,761,091	10.23	-	-
Trade acceptance draft	-	-	-	-	-	-	-	-
Subtotal	25,866,571	8.68	-	-	26,761,091	10.23	-	-
Total	298,114,972	100.00	2,384,062	0.84	261,450,611	100.00	2,032,778	0.82

Notes:

- (1) Calculated by dividing the amount of NPL (not including accrued interest) by total amount of loans (not including accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, both our subsidiaries, was calculated based on the original book value at the loans as of December 31, 2020 and December 31, 2021, respectively, and not the fair value on the acquisition date.
- (2) Forfeiting is included in corporate loans.
- (3) Mainly includes discounted and re-discounted bills.

Due to the adverse impact of the COVID-19 on personal and household income, the non-performing loans of personal second-hand housing mortgages and online loans have increased during the Reporting Period. As at the end of the Reporting Period, the non-performing loan ratio of corporate loans (excluding discounted bills) was 0.88%, decreased 0.06 percentage points as compared with the end of last year; the non-performing loan ratio of personal loans was 0.98%, increased 0.11 percentage points as compared with the end of previous year.

3. Loans and non-performing loans by industry

(Unit: RMB'000)

Industry ⁽¹⁾	As at December 31, 2021				As at December 31, 2020			
	Amount	Percentage of total (%)	NPL amount	NPL ratio ⁽²⁾ (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio ⁽²⁾ (%)
Corporate loans and advances	163,381,500	54.81	1,326,158	0.88	136,673,624	52.28	1,197,271	0.94
Wholesale and retail	31,115,441	10.44	474,198	1.61	24,274,518	9.28	395,604	1.69
Leasing and commercial services	29,905,756	10.03	212,131	0.90	24,737,267	9.46	202,132	0.99
Manufacturing	37,262,640	12.50	140,177	0.38	27,173,611	10.39	60,277	0.27
Construction	20,653,224	6.93	205,588	0.99	20,860,777	7.98	171,075	0.82
Real estate	14,443,949	4.85	16,500	0.12	10,804,318	4.13	4,136	0.04
Finance	5,848,025	1.96	-	-	7,514,009	2.88	-	-
Production and supply of power, gas and water	5,414,406	1.82	-	-	5,322,414	2.04	332,980	6.26
Transportation, logistics and postal services	3,163,288	1.06	-	-	3,947,098	1.51	-	-
Water, environment and public utilities management	2,843,796	0.95	243,944	9.37	2,101,477	0.80	-	-
Health, social security and welfare	2,877,962	0.97	-	-	2,539,030	0.97	-	-
Education	3,143,938	1.05	-	-	2,212,017	0.85	-	-
Information transmission, computer service and software	1,438,604	0.48	-	-	823,027	0.31	-	-
Accommodations and catering industries	2,302,218	0.77	13,537	0.59	1,381,991	0.53	22,931	1.72
Agriculture, forestry, animal husbandry and fishery	2,152,266	0.72	20,083	0.96	1,320,749	0.51	6,925	0.52
Residential services and other services	199,430	0.07	-	-	378,874	0.14	-	-
Culture, sports, and entertainment	134,320	0.05	-	-	437,245	0.17	1,211	2.89
Scientific research and technical services, and geological prospecting	432,899	0.15	-	-	254,756	0.10	-	-
Mining	13,300	0.00	-	-	576,791	0.22	-	-
Public management and social organizations	36,038	0.01	-	-	13,655	0.01	-	-
Discounted bills	25,866,571	8.68	-	-	26,761,091	10.23	-	-
Personal loans	108,866,901	36.51	1,057,904	0.98	98,015,896	37.49	835,507	0.87
Total	298,114,972	100.00	2,384,062	0.84	261,450,611	100.00	2,032,778	0.82

Notes:

- (1) Classified based on to the Industrial Classification for National Economic Activities (《國民經濟行業分類》) issued by the Standardization Administration of China on June 30, 2017.
- (2) Calculated by dividing the amount of NPL (not including accrued interest) by total amount of loans (not including accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, was calculated based on the original book value of the loans as at December 31, 2020 and December 31, 2021, respectively, and not the fair value on the acquisition date.

As at the end of the Reporting Period, the non-performing loans of the Group's corporate loans were mainly concentrated in industries including wholesale and retail industries; leasing and commercial services; water, environment and public utilities management and manufacturing and construction. The non-performing loan ratios were 1.61%, 0.90%, 9.37%, 0.99% and 0.38%, respectively. Among which, the non-performing loan balance of the manufacturing industry was RMB140 million, representing an increase of RMB80 million compared with the beginning of the year; while the non-performing loan balance of the wholesale and retail industry was RMB474 million, representing an increase of RMB79 million compared with the beginning of the year. Such increase mainly because manufacturing industry, and wholesale and retail industry account for a relatively large part of the industrial economic structure in Dongguan, and accounted for 12.5% and 10.44% of our loans respectively and the operating conditions of certain individual small and micro enterprise customers have deteriorated due to COVID-19, resulting their loans with interest overdue for more than 60 days, and were classified as non-performing loans.

4. Loans and non-performing loans classified by types of guarantees

(Unit: RMB'000)

Guarantee method	As at December 31, 2021				As at December 31, 2020			
	Amount	Percentage of total (%)	NPL amount	NPL ratio (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio (%)
Collateralized loans	156,304,340	52.43	1,142,849	0.79	134,641,697	51.50	961,683	0.78
Pledged loans	41,152,064	13.80	255,163	0.62	39,107,865	14.96	319,006	0.82
Guaranteed loans	68,643,992	23.03	546,734	0.85	54,441,652	20.82	435,274	0.82
Unsecured loans	32,014,576	10.74	439,316	1.37	33,259,397	12.72	316,815	0.95
Total	298,114,972	100.00	2,384,062	0.84	261,450,611	100.00	2,032,778	0.82

5. Loans by region

(Unit: RMB'000)

Region	As at December 31, 2021		As at December 31, 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Dongguan	236,567,843	79.35	214,171,472	81.92
Outside Dongguan	61,547,129	20.65	47,279,139	18.08
Total	298,114,972	100.00	261,450,611	100.00

Based on the objective to develop into a banking group, the Group has established its foothold in Dongguan, and radiated the customers of East Guangdong and West Guangdong, as well as the Greater Bay Area. The Group has gradually established a new regional group development pattern of "One Core with Two Wings". Most of the loans were distributed in Dongguan, where loan balance in Dongguan was RMB236.568 billion, accounted for 79.35% of our loans; and loan balance outside Dongguan was RMB61.547 billion, accounted for 20.65% of our loans.

6. Top ten borrowers

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth the Bank's loan balance to the top ten single borrowers (excluding group borrowers) as at the end of the Reporting Period, none of which was non-performing loan:

(Unit: RMB'000)

Borrower	Industry	As at December 31, 2021		
		Balance of loans	Percentage of total loans (%)	Percentage of net capital (%)
Customer A	Leasing and commercial services	2,979,840	1.00	5.33
Customer B	Construction	2,004,230	0.67	3.59
Customer C	Leasing and commercial services	1,784,500	0.60	3.19
Customer D	Leasing and commercial services	1,300,000	0.44	2.33
Customer E	Real estate	1,295,000	0.43	2.32
Customer F	Construction	1,004,000	0.34	1.80
Customer G	Leasing and commercial services	982,800	0.33	1.76
Customer H	Construction	980,000	0.33	1.75
Customer I	Construction	942,502	0.32	1.69
Customer J	Leasing and commercial services	834,110	0.28	1.49
Total		14,106,982	4.73	25.25

As at the end of the Reporting Period, the total loans to the largest borrower of the Group was RMB2,980 million, accounting for 5.33% of the net capital of the Group. The total loans to top ten borrowers was RMB14,107 million, accounting for 25.25% of the net capital of the Group and 4.73% of the total loans of the Group.

The following table sets forth the concentration indicators of the Group during the indicated periods:

(Unit: %)

Concentration indicators ⁽¹⁾	As at December 31,		Regulatory requirements
	2021	2020	
Percentage of loans to the largest single customer to net capital	5.33	6.81	10
Percentage of credits to a single group customer to net capital	10.13	12.93	15
Percentage of loans to top ten customers to net capital	25.25	32.20	—

Note:

- (1) The data in the table above is calculated based on the audited data in accordance with relevant regulatory standard.

7. Loans overdue

(Unit: RMB'000)

Type	As at December 31, 2021		As at December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	294,999,181	98.95	259,055,261	99.08
Loans past due	3,115,791	1.05	2,395,350	0.92
– Within 3 months	1,190,617	0.40	846,742	0.32
– From 3 months to 1 year	1,272,800	0.43	630,047	0.24
– More than 1 year to less than 3 years	470,835	0.16	772,746	0.30
– More than 3 years	181,539	0.06	145,815	0.06
Total principal of loans to customers	298,114,972	100.00	261,450,611	100.00

As at the end of the Reporting Period, the balance of overdue principal of loans of the Group was RMB3,116 million, accounting for 1.05% of all loans, representing an increase of RMB720 million from the end of the previous year. Among which, the balance of loans past due within 3 months amounted to RMB1,191 million, representing an increase of RMB344 million from the end of the previous year, mainly due to the new overdue and interest owed by some loan customers. The balance of loans past due for 3 months to 1 year amounted to RMB1,273 million, representing an increase of RMB643 million from the end of the previous year, mainly due to increase in overdue loans for certain large-amount corporate loans, second-hand housing mortgages and online loans. The balance of loans past due for more than 1 year to less than 3 years amounted to RMB471 million, representing a decrease of RMB302 million from the end of the previous year; the balance of loans past due for more than 3 years amounted to RMB182 million, representing an increase of RMB36 million from the ending of last year, mainly due to certain overdue loans further past due to more than 3 years as the borrowers failed to repay the principal and interest.

8. Restructured loans

A restructured loan is a loan for which contractual terms have been renegotiated due to changes in the borrower, guarantee, or repayment. During the Reporting Period, in order to effectively resolve the debt of borrowers, procure the borrowers to repay the loans and reduce the risk of loan loss, the Group actively negotiated with the borrowers to formulate a loan restructuring plan. The following table sets forth the balance and proportion of the Group's restructured loans on the dates indicated:

(Unit: RMB'000)

Type	As at December 31, 2021		As at December 31, 2020	
	Amount	% of total (%)	Amount	% of total (%)
Restructured loans	145,013	0.05	125,979	0.05

9. Foreclosed assets

As at the end of the Reporting Period, the foreclosed assets of the Group are as follows:

(Unit: RMB'000)

Type	As at December 31, 2021	As at December 31, 2020
Property and equipment	265,210	272,481
Land use rights	119,596	163,767
Others	—	2,844
Sub-total	384,806	439,092
Less: Provision for impairment losses	277,023	290,535
Total	107,783	148,557

10. Reasons for non-performing assets and their disposal

Due to the slowdown of domestic economy under COVID-19 pandemic, operating revenue of individual enterprises has been reduced and their capital chain has been broken, while individuals have lost their income source due to unemployment, which has led to individual enterprises and families failed to repay their loans as originally scheduled, where the overdue loans and outstanding interests eventually became non-performing loans. As at the end of the Reporting Period, the balance of the Group's non-performing loans was RMB2,384 million, representing an increase of RMB351 million from the end of the previous year, and the non-performing loan ratio was 0.84%, representing a slight increase of 0.02 percentage point from the end of the previous year. In 2021, a total of RMB1,571 million of non-performing loans has been resolved, including cash settlement of RMB501 million, debt transfers of RMB38 million and debt restructuring of RMB23 million, with RMB818 million being written-off and RMB191 million has its quality improves.

11. Changes in provision for expected credit losses of loans and advances to customers

During the Reporting Period, the Bank made provision for expected credit losses of loans and advances to customers of RMB1,991 million, with RMB1,948 million provided for loans and advances to customers measured at amortized cost, and RMB42 million for loans and advances to customers measured at fair value through other comprehensive income. RMB818 million of non-performing loans was written off, while RMB555 million of written-off loans were recovered. As at the end of the Reporting Period, the balance of provision for expected credit losses of loans was RMB9,091 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB9,029 million and the changes in provision for expected credit losses are as follows:

(Unit: RMB'000)

	For the year ended December 31,	
	2021	2020
Balance as at the end of last period	7,340,817	7,294,528
Addition for the period	1,512,997	1,821,613
Derecognition or settlement for the period	(3,224,559)	(3,022,882)
Write off for the Period	(817,941)	(786,566)
Remeasurement	4,217,581	2,034,124
Closing balance	9,028,895	7,340,817

In addition, the balance of provision for expected credit losses of loans and advances to customers (rediscounted bills and forfeiting) measured at fair value through other comprehensive income amounted to RMB62 million as of the end of the Reporting Period.

(V) Capital Management

As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 16.29%, 13.94%, and 13.90%, respectively, all of which meeting the regulatory requirements. During the Reporting Period, the Group's profit maintained steady growth, and our H shares were successfully listed on the Hong Kong Stock Exchange, maintaining a safe capital adequacy ratio.

The Group continues to strengthen capital management by: firstly, strengthen the management on capital planning and realized the effective transmission from capital planning to capital budgeting and capital allocation based on the capital planning guidelines; secondly, optimize the asset allocation structure on and off the balance sheet to improve the efficiency of capital utilization; and thirdly, continue to optimize the capital structure and strengthen endogenous capital management and also improve capital replenishment channels to enhance capital strength while strengthening endogenous capital replenishment.

1. Capital adequacy ratios analysis

The Group calculates and discloses the capital adequacy ratio in accordance with the relevant provisions of the Administrative Measures for Capital of Commercial Banks (Trial) (with effect from January 1, 2013). The scope of capital adequacy ratio calculation includes all branches of the Bank as well as financial institution-type subsidiaries that fall within the provisions of the Administrative Measures for Capital Management of Commercial Banks (Trial).

(Unit: RMB'000)

Item	As at December 31, 2021	As at December 31, 2020
Core tier-one capital	48,302,837	37,017,880
Core tier-one capital deductions	614,169	543,201
Net core tier-one capital	47,688,668	36,474,679
Other tier-one capital	123,227	116,300
Net tier-one capital	47,811,895	36,590,979
Tier-two capital	8,058,585	7,676,173
Net capital	55,870,480	44,267,152
Total risk-weighted assets	342,993,018	316,197,405
Including: Credit risk-weighted assets ⁽¹⁾	308,782,560	278,942,317
Market risk-weighted assets ⁽²⁾	10,719,015	14,963,259
Operational risk-weighted ⁽³⁾	23,491,443	22,291,829
Core tier-one capital adequacy ratio (%) ⁽⁴⁾	13.90	11.54
Tier-one capital adequacy ratio (%) ⁽⁵⁾	13.94	11.57
Capital adequacy ratio (%) ⁽⁶⁾	16.29	14.00

Notes:

- (1) Credit risk is measured under weighted method.
- (2) Market risk is measured under standardized method.
- (3) Operational risk is measured under basic indicator method.
- (4) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by total risk-weighted assets.
- (5) Calculated by dividing tier-one capital, net of tier one capital deductions, by total risk-weighted assets.
- (6) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

In accordance with the “Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks” 《（關於商業銀行資本構成信息披露的監管要求）》，information on capital composition, explanation and breakdown of relevant items and the main characteristics of the capital instruments of the Group will be further disclosed subsequently in the “Investor Relations – Information Disclosure – Regulatory Capital” section on the website of the Bank (www.drcbank.com).

2. Leverage ratio

The leverage ratio was calculated and disclosed by the Group in accordance with the relevant provisions under the “Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) (《商業銀行槓桿率管理辦法(修訂)》)”.

(Unit: RMB'000)

Item	As at December 31, 2021	As at December 31, 2020
Net tier-one capital	47,811,895	36,590,979
Adjusted balance of on-balance sheet and off-balance sheet assets ⁽¹⁾	590,189,128	532,619,782
Leverage ratio ⁽²⁾ (%)	8.10	6.87

Notes:

- (1) The adjusted balance of on-balance sheet and off-balance sheet assets are based on the standards adopted under the off-site regulatory report of the CBIRC on a Group consolidated basis.
- (2) Calculated by dividing the net tier-one capital by the adjusted balance of on-balance sheet and off-balance sheet assets.

For more details on leverage ratio, please refer to Appendix I “Information on Leverage Ratio” in the supplementary financial information in the “Financial Report” chapter of this report.

(VI) Segment Operating Results

Our principal business activities include corporate banking, retail banking and treasury business. The following table sets forth our operating income of principal business segment for the periods indicated:

(Unit: RMB'000)

Item	For the year ended December 31,			
	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking	6,228,244	47.92	5,500,999	45.66
Retail banking	5,254,789	40.43	5,286,260	43.88
Treasury business	1,375,659	10.58	1,385,826	11.50
Others	137,622	1.07	(126,038)	(1.04)
Total operating income	12,996,314	100.00	12,047,047	100.00

(VII) Off-balance Sheet Items Analysis

Off-balance sheet items of the Group mainly include issuance of letter of credit, issuance of letter of guarantee, acceptance bills and unused line of credit card. As at the end of the Reporting Period, the balances of issuance of letter of credit, issuance of letter of guarantee, acceptance bills and unused limit of credit card were RMB0.299 billion, RMB3.089 billion, RMB2.897 billion and RMB10.562 billion, respectively.

In particular, commitments include financial guarantees and other credit commitments and capital commitments, and the distribution of which is as follows:

1. Financial guarantees and other credit commitments

(Unit: RMB'000)

Item	As at December 31, 2021	As at December 31, 2020	Percentage increase/ (decrease) as as at the end of the Reporting Period as compared to the end of the previous year (%)
Letter of credit	299,112	245,179	22.00
Letter of guarantee	3,088,837	1,222,974	152.57
Bank acceptance draft	2,897,495	1,580,695	83.31
Unused limit of credit card	10,562,244	9,655,154	9.39
Total	16,847,688	12,704,002	32.62

2. Capital commitments

(Unit: RMB'000)

Item	Contract amount at the end of the period	Contract amount at the beginning of the period
Property and equipment	705,405	494,839

As at the end of the Reporting Period, the Bank has no major contingent liabilities; and there were no material lawsuits involving the Bank or its subsidiaries as defendant.

For details of off-balance sheet commitments, please refer to Note 38 "Contingent Liabilities and Commitments" to the consolidated financial statements in the "Financial Report" chapter in this report.

(VIII) Other Financial Information Disclosed in Accordance with Regulatory Requirements

1. Contingent liabilities and pledged assets

For details of our contingent liabilities and pledged assets as at the end of the Reporting Period, please refer to Note 38 “Contingent Liabilities and Commitments” to the consolidated financial statements in the “Financial Report” chapter in this report.

2. Overdue debts

We had no overdue debts during the Reporting Period.

3. Analysis of investment

The Bank had no new investment in equity during the Reporting Period.

4. Disposal of major assets and equity interests

The Bank had no major disposals of asset and equity interests during the Reporting Period.

5. Structured entities controlled by the Bank

As of the end of the Reporting Period, the scale of structured entities that we have issued and managed and included in the scope of the consolidated financial statements was RMB5.754 billion.

III. RISK MANAGEMENT

The Bank further established a comprehensive risk management governance framework, and clarified the responsibilities of the Board of Directors, Board of Supervisors, senior management, Chief Risk Management Officer, functional departments and business departments in comprehensive risk management. The Board of Directors assumes the ultimate responsibility for comprehensive risk management, the senior management assumes the responsibility for the implementation of comprehensive risk management, the Board of Supervisors is responsible for supervising the performance of duties and responsibilities by the Board of Directors and senior management in comprehensive risk management, and the Chief Risk Management Officer maintains full independence and reports directly to the Board of Directors on overall risk management. The Comprehensive Risk Management Department of the Head Office is responsible for coordinating the daily work of comprehensive risk management and implementing the construction of the comprehensive risk management system. Each risk defense line, functional department and business department bears the direct responsibility for the risk management of the department. They are responsible for the Bank's credit risk, liquidity risk, market risk, compliance risk, operational risk, reputation risk, information technology risk, money laundering risk, strategic risk and other management work according to the division of responsibilities.

During the Reporting Period, the Bank adhered to the general principle of "seeking progress while maintaining stability", adhered to the main strategy of seeking progress while maintaining stability and coordinated development, accelerated the establishment of a risk management system with "risk-adjusted value creation as the core" and always regarded risk management as the operating base. The Bank continuously improved the "three lines of defense" of risk management established by business departments, risk management functional departments and internal audit departments; and formulated the three-year risk management strategic plan of the Bank. The Bank has established management procedures for major risks such as risk appetite and risk limit management mechanisms so as to continuously identify, assess and manage the major risks faced in the course of business operations.

(I) Credit Risk Management

Credit risk refers to the risk of economic loss caused by the failure of the Bank's counterparties perform their relevant obligations according to the agreed conditions.

The Bank has established and implemented standardized credit review and extensive management policies and procedures, and continuously improved credit risk management related procedures, systems and methods to identify, measure, supervise, reduce and control risks caused by credit business. In terms of the credit risk management policies and procedures, the Bank has continuously improved its credit risk management system, formulated and introduced relevant business management systems based on actual business conditions. During the Reporting Period, the Bank has formulated (revised) Administrative Measures for Credit Rating of Dongguan Rural Commercial Bank Co., Ltd. (2021 Edition) and Guidelines for Credit Operation Risk Prevention of Dongguan Rural Commercial Bank Co., Ltd. (2021 Edition), which further strengthened the Bank's credit risk management. In terms of the organizational structure and responsibilities of credit risk management, at the head office level, the Bank has established a comprehensive risk management department, which is a dedicated risk management department independent of other business departments that undertakes credit risk management functions. At the branch level, the Bank has established the risk compliance department, which is responsible for the risk management of the branches' credit business, and has achieved vertical risk management. In terms of the methods of asset risk classification, the Bank has adopted a series of standards derived from the guidelines of the CBIRC to establish a classification mechanism, and categorized loans into five categories based on the overall risk level of loans, namely normal, special mention, substandard, doubtful and loss. Through the continuous supervision and analysis of the borrower's financial risks, non-financial risks, cash flow, guarantees and other factors, it can accurately reflect the borrower's ability to repay, willingness to repay and risk fluctuations in each specific period. In terms of the construction of the credit risk management system, the risk data pool and credit risk alert system of the Bank have been operating normally, and are comprehensively used in the entire process from pre-disbursement, disbursement to post-disbursement of loans. The Bank also completed the construction and launch of the collateral management system during the Reporting Period, which further strengthened collateral risk management and control.

In 2021, the credit risk of the Group was generally controllable, and the non-performing loan ratio of the Group was within the control target.

For more information on credit risk management, please refer to Note 41.1 to the consolidated financial statement in the "Financial Report" chapter in this report.

(II) Liquidity Risk Management

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient funds in a timely manner at a reasonable cost to repay debts due, perform other payment obligations and meet other capital needs for normal business operations.

The Group adopted a prudent liquidity risk management strategy. On the basis of meeting regulatory requirements, we properly balanced the level of income and liquidity, maintained moderate liquidity, and controlled liquidity risk within a reasonable range to ensure the safe operation of the Group. The Board of Directors of the Bank assumes the ultimate responsibility for liquidity risk management. Senior management is responsible for the effective organization and implementation of the Bank's liquidity risk management system. The asset and liability management department and the financial market department are jointly responsible for the daily management of liquidity risk. All departments of each business line cooperate with each other to carry out an active liquidity risk management.

During the Reporting Period, the Group measured liquidity risk based on a number of indicators, including the structural allocation of assets and liabilities, liquidity ratio, RMB excess reserve ratio, liquidity gap ratio, liquidity coverage ratio and net stable funding ratio. Through stress testing scenarios combining mild, moderate and severe stress, the Bank analyzed our ability to withstand liquidity events or liquidity crises, and reasonably allocated sufficient liquidity reserve assets to deal with liquidity risks. The Bank has established a limit management and alert monitoring mechanism to ensure that the liquidity risk is controlled within an acceptable and reasonable range by regulating the daily asset-liability portfolio. The Bank has formulated specific emergency plans and organized emergency drills regularly to improve emergency response capabilities. In 2021, the Group's liquidity risk was generally controllable, and no major liquidity risk events occurred. The main liquidity risk regulatory indicators have reached the standard monthly. The stress test results also showed that the Group has sufficient risk mitigation capability under stressful scenarios to cope with crisis.

1. Liquidity coverage ratio

The Group calculates and discloses the liquidity coverage ratio in accordance with the relevant provisions of the "Measures for Disclosure of Liquidity Coverage Ratio Information of Commercial Banks":

(Unit: RMB'000)

Item	As at December 31, 2021	As at December 31, 2020	Minimum Regulatory Requirements
Liquidity ratio	80.63%	71.62%	≥25%
Qualified high-quality liquid assets	143,477,150.30	123,900,438.80	—
Net cash outflows	63,109,398.10	50,746,019.60	—
Liquidity coverage ratio	227.35%	244.16%	≥100%

Note: The data in the above table are all based on the standards adopted under the off-site regulatory report of the CBIRC on a Group consolidated basis.

2. Net stable funding ratio

The Bank calculates and discloses the net stable funding ratio in accordance with the relevant provisions of the “Measures for Information Disclosure of Net Stable Funding Ratio of Commercial Banks”:

(Unit: RMB'000)

Item	As at December 31, 2021	As at September 30, 2021	As at June 30, 2021	As at March 31, 2021	As at December 31, 2020
Available stable funding	413,234,980.79	411,593,127.81	396,491,615.40	391,751,083.14	377,565,856.52
Required stable funding	286,481,650.55	287,062,999.67	277,073,106.93	273,809,846.74	250,703,380.20
Net stable funding ratio	144.24%	143.38%	143.10%	143.07%	150.60%

Note: The data in the above table are all based on the standards adopted under the off-site regulatory report of the CBIRC on a Group consolidated basis.

For more information on liquidity risk management, please refer to Note 41.3 to the consolidated financial statement in the “Financial Report” chapter in this report.

(III) Market Risk Management

Market risk include interest rate risk, exchange rate risk, stock price risk and commodity price risk, refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risk faced by the Bank included interest rate risk and exchange rate risk.

The Bank adhered to the principle of steady and prudent market risk management, and controlled market risks within an acceptable range by controlling the duration reasonably, adopting appropriate risk aversion strategies and strengthening the effectiveness of sensitivity analysis. We have established and continued to improve the market risk management policy, and clarified the responsibilities of the Board of Directors, the Board of Supervisors, the senior management, relevant risk management and business departments in the process of market risk identification, measurement, monitoring and reporting.

During the Reporting Period, the Bank applied gap analysis, sensitivity analysis, risk limits, scenario simulation and stress testing to measure, analyze, monitor and manage market risks based on the risk appetite, business plan and market risk management policies and procedures of the Bank to ensure the market risk is maintained within a reasonable range.

In 2021, in accordance with the relevant provisions of the Capital Management Measures for Commercial Banks (Trial), the Bank adopted the standard method to measure market risk capital and made capital provisions prudently to fully cover market risks.

1. Interest rate risk management

Interest rate risk management refers to the process of identifying, measuring, monitoring and controlling interest rate risk. With the goal of “establishing a sound interest rate risk management system, controlling fluctuations in income and economic value, balancing interest rate risk and income, and ultimately maximizing shareholder value”, the Bank adhered to the principle of prudence. In terms of the trading book, the Bank strengthened and improved the market risk measurement and limit management of the trading account. The Bank conducted measurement management of the trading account portfolio by adopting various methods including fair value through profit and loss and floating profit and loss monitoring, value-at-risk (VaR), interest rate sensitivity analysis and stress testing. The Bank further optimized the interest rate risk limit management system, continued to monitor interest rate risk limits, and reported and pointed out risks in a timely manner; the Bank also continued to carry out risk stress testing and evaluate the interest rate risk tolerance of the Bank. The Bank has adopted prudent investment management strategy in general, and dynamically adjusted risk exposures based on market changes using bond transactions, derivative instruments hedging and other methods. All interest rate risk indicators in the trading book were kept within the target range. In terms of the banking book, the Bank has mainly adopted gap analysis, duration analysis, stress testing and other methods to measure interest rate risk in the banking book, and regularly evaluated the impact of interest rate changes on net interests' income and economic value under different interest rate conditions. By combining regulatory requirements and actual interest rate scenarios, the Bank continued to improve the stress test model for interest rate risk in the banking book, and continuously improved the measurement and analysis of interest rate risk in the banking book.

2. Exchange rate risk management

In 2021, the RMB exchange rate maintained an overall trend of appreciation. As at December 31, 2021, the benchmark price of RMB against USD announced by the PBoC was 6.3757, appreciated by approximately 2.4% as compared to the beginning of the year. The Bank primarily focused on controlling foreign exchange positions, and maintained the management strategy of low exposure and negative position to reduce exposure attributable to exchange rate fluctuations; and the Bank constantly improved the exchange rate risk management mechanism by using derivatives to hedge risk exposure. At the end of 2021, the ratio of accumulated foreign exchange exposure position of the Bank was 2.85%, which was below the prime regulatory level (less than 5%), and the exchange rate risk was at a relatively low level and was controllable generally.

For more information on market risk management, please refer to Note 41.2 to the consolidated financial statement in the “Financial Report” chapter in this report.

(IV) Compliance Risk Management

Compliance risk refers to the risk of possible legal sanctions, regulatory penalties, significant financial loss or loss of reputation due to failure to comply with laws, rules and guidelines and internal rules and regulations.

The Bank adhered to the concept of prudent operation and established a compliance management organizational structure corresponding to its business scope, organizational structure and business scale. The Bank has also clarified the compliance management responsibilities of the “two Boards and one management” (the Board of Directors, the Board of Supervisors and senior management), the compliance department of the head office, different levels of the head office and branches, and has achieved the effective identification and management of compliance risks. These measures have ensured the prevention and control of compliance risks and ensured compliance with laws and regulations.

During the Reporting Period, the Bank implemented the management principle of “rule-based management”, strictly controlled the compliance construction of systems and products, and ensured the compliance of systems and product designs. The Bank clarified the assessment criteria for compliance risks, reviewed its compliance risk management status on a regular and comprehensive basis, and established a complete and effective compliance risk management mechanism. The Bank promoted compliance management, deepened the promotion of compliance culture, and enhanced employees’ compliance awareness and compliance performance capabilities. The Bank promoted compliance digital transformation and raised the level of compliance risk management. Through the above measures, the Bank further consolidated the foundation of compliance risk management and built a solid pillar for compliance operation.

(V) Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or faulty internal procedures, staff and IT systems, and external events.

The Bank has established a sound operational risk management system, clarified the division of responsibilities between the Board of Directors, senior management and all levels, and formed a corporate governance structure with reasonable division of labor, clear rights and responsibilities, and checks and balances to ensure the effectiveness, comprehensiveness and prudence of operational risk management. We also have improved the management level and risk prevention ability.

During the Reporting Period, the Bank improved its internal control system, established an internal control supervision and inspection mechanism, and strengthened the implementation, supervision and inspection of the system; established an operational risk information collection mechanism, strengthened operational risk event management; established an outsourcing risk management system to standardize the management of outsourcing business. Besides, we carried out a self-assessment of the operational risk and control of important business processes, and strengthened the prevention and control of operational risks in business processes. We have strictly enforced employee behavior management, behavior investigation and violation handling, standardized employee behavior, and strengthened business compliance operations. Through the above measures, the Bank has effectively strengthened operational risk prevention and built a healthy internal operating environment. In 2021, there was no significant operational risk events of the Bank.

(VI) Large-scale Risk Exposure Management

Pursuant to the Management Measures for Large-scale Risk Exposure of Commercial Banks issued by the CBIRC, large-scale risk exposure refers to the credit risk exposure to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net tier-one capital.

The Bank actively established and improved the organizational structure and management system for large-scale risk exposure management, incorporated large-scale risk exposure management into comprehensive risk management system, and actively promoted relevant system construction of large-scale risk exposure management to effectively manage and control customer concentration risks. As of the end of the Reporting Period, all of the risk exposure indicators for non-financial institution single customers, non-financial institution group customers, financial institution single customers, and financial institution group customers of the Group met regulatory requirements.

(VII) Reputational Risk Management

Reputational risk refers to the risks that may come from negative evaluations of the Bank by stakeholders, the public, and the media due to the operation and management of the Bank, the behavior of employees or external events, thereby damaging the brand value of the Bank, affecting the normal operations of the Bank, and even affecting market stability and social stability. Reputational events refer to relevant acts or activities that cause significant damage to the Bank's reputation.

The Bank has established a reputational risk pre-assessment mechanism to promote the reputational risk control in advance. By making full use of the intelligent reputational monitoring system, implementing 7x24 hours omni-channel reputational monitoring and strengthening manual monitoring, the Bank has created the intelligent reputational monitoring mechanism of "technical defense + manual defense". Also, the Bank has prepared the Reputational Risk Events Response Manual of Dongguan Rural Commercial Bank, continuously improved the media public relations literacy and reputational risk response capabilities of relevant business personnel of various branches.

During the Reporting Period, the Bank further strengthened the quarterly reputational risk screening of each branch, and regularly investigated major customer complaints as well as improper marketing and publicity behaviors that occurred quarterly in branches which may cause widespread public concern, etc.. The Bank also investigated and identified potential reputational risks, and promptly released reputational risk warnings. In 2021, the overall reputation of the Bank was stable and good, and no major reputational incidents occurred during the year.

(VIII) Information Technology Risk Management

Information technology risk refers to risks arising from natural factors, human factors, technology loopholes and management defects during the course of the application of information technology by the Bank, including operation, legal and reputation risks.

The Bank established an organizational structure with three lines of defense for information technology risk management with a clear division of responsibilities, covering the control and management of information technology risk before, during and after the management. The Bank established comprehensive management policies and systems on information security, information technology risk management and business continuity to achieve the monitoring and alert of key indicators of information technology risks.

During the Reporting Period, the Bank also regularly organized technological risk assessments, information security inspections and business continuity emergency drills to effectively enhance its information technology risk prevention and control capabilities.

(IX) Strategic Risk Management

Strategic risk refers to the scenario where the strategic goal is higher than expected due to the failure of strategic behavior to effectively maintain the match between the enterprise and the environment.

The Bank continued to pay attention to strategic risks. We have established a strategic risk management organizational system with the Board of Directors, the Board of Supervisors and senior management as the core, to ensure the effective flow of the overall development plan, to evaluate the implementation of the development plan on a regular basis and to identify the main risk factors for achieving strategic goal. For relevant risk factors, we have formulated necessary measures and continuously tracked the risk factors, and carried out dynamic management of strategic objectives with reference to internal and external environments.

During the Reporting Period, the Bank released the “Outline of the Second Three-Year Development Plan for the Third Transformation of Dongguan Rural Commercial Bank Co., Ltd. (Group) (2021-2023)”, which closely linked with the Three-Year Development Plan of Dongguan Rural Commercial Bank Co., Ltd. for 2018-2020 and continued to play a strategic leading role. By improving the breakdown of different tasks in the plan, the Bank refines the annual work tasks of the development plan, regularly collects information on the implementation of the development plan, and continuously monitors the progress of achieving the strategic objectives to ensure that the development strategy is in line with the internal and external environment. During the Reporting Period, the Bank’s progress of achieving the strategic objectives were generally in line with expectations.

(X) Anti-Money Laundering Management

Money laundering risk refers to the possibility of money laundering activities caused by the external threat of money laundering against the weak procedures of countries (or systems).

The Bank has established a sound money laundering risk management organization with complete structure and clear responsibilities, clarified the division of responsibilities in anti-money laundering work of the Board of Directors, the Board of Supervisors, senior management, anti-money laundering leading group, anti-money laundering management department, business departments, other departments and branches at all levels, and established an operating mechanism with clear levels, mutual coordination and effective cooperation.

During the Reporting Period, the Bank improved the internal control system on anti-money laundering, promoted the whole process and full coverage of compliance management on anti-money laundering; rationalized the organizational management structure of anti-money laundering, and established an operating mechanism with clear levels, responsibilities and coordination. The Bank strengthened the risk management strategy of money laundering and terrorist financing, and improved the effectiveness of various risk control measures. The Bank fulfilled the role of self-inspection and self-correction, strengthened measures for customer identification, remodeled the classification management system for customer money laundering risks, optimized the monitoring model and report of large-value and suspicious transactions, and improved the anti-money laundering monitoring list mechanism and enhanced the performance compliance of various core anti-money laundering obligations. The Bank also strengthened anti-money laundering publicity training and comprehensively built a money laundering risk management culture. Through the above measures, the Bank has effectively strengthened the risk management mechanism of anti-money laundering and anti-terrorist financing, and comprehensively improved the compliance and effectiveness of our anti-money laundering performance.

(XI) Internal Control

The Bank established a corporate governance structure with reasonable division of labor, clear authority and responsibilities and checks and balances, as well as a multi-level internal control organizational structure. The Board of Directors, the Board of Supervisors and senior management performed their respective duties and formed a scientific and effective division of responsibilities and checks and balances mechanism. Each department of the head office formulated a comprehensive, systematic and standardized work system based on the functions of the department, and clarified management requirements, job responsibilities, business standards, work procedures, practice standards and accountability to ensure that all business activities are carried out in an orderly manner. Meanwhile, the Bank established the system compliance review and follow-up evaluation mechanism to ensure the compliance, applicability and effectiveness of the system.

During the Reporting Period, the Bank promoted the cultural concept of “compliance creates value”, implemented the management guideline of “rule-based management”, regularly cultivated compliance awareness, established an internal supervision and inspection mechanism, and strictly implemented various systems such as cadre exchanges, job rotation, relatives avoidance, mandatory vacations and others. Various internal control systems have been implemented effectively, and risk control measures have been effectively implemented, as a result, there were no major economic lawsuits, criminal cases or serious violations of regulations and disciplinary matters during the Reporting Period.

(XII) Internal Audit

The Bank implements an independent and vertical internal audit management system. The audit work is directly led by the chairman of the Board of Directors and is carried out by the chairman of the Board of Supervisors. The Board of Directors assumed ultimate responsibility for the independence and effectiveness of internal audit, considered and approved internal audit charter, mid- and long-term audit plans and annual audit plans, etc., provided necessary safeguards for independent and objective internal audit work, and assessed the independence and effectiveness of internal audit. The Audit Committee of the Board of Directors is responsible for reviewing important systems and reports such as internal audit charter, considering and approving mid and long-term audit plans and annual audit plans as well as guiding, assessing and evaluating internal audit. The Bank has set up an audit department with five secondary audit centers, which specifically undertake internal audit responsibilities, and are responsible for reviewing, evaluating and urging the Bank's business operation, risk management, internal control compliance and corporate governance effect to promote stable operation and value enhancement of the Bank.

During the Reporting Period, the Bank established the modern audit concept of "risk-oriented, technology-based audit", focused on the main responsibility and main business, scientifically formulated the annual audit work plan, vigorously promoted the digital transformation, completed the construction of version 1.0 of a new generation of audit information system integrating "organization portrait, model analysis, and process management", and issued a series of operating systems. With the organizational method of "auditing work of the whole bank", we made full use of big data technology, and solidly carried out 29 special audits on internal control evaluation, salary management, treasury business, credit business, financial management, information technology, consolidated management and affiliated institutions. We have also conducted audits on the financial responsibility of the absence or resignation of personnel in key positions. We use audit to promote reform and to promote construction. We have effectively fulfilled the responsibility of the third line of defense for risk prevention and control, and achieved our original intention and mission of escorting the high-quality development of the Bank with practical actions.

IV. MAJOR INNOVATIVE BUSINESSES LAUNCHED DURING THE REPORTING PERIOD

In January 2021, the Bank launched the product “Tea Loan (茶葉貸)”, which precisely serves specific scenarios and customer groups. By focusing on well-known tea brands, and centering on high-quality tea dealers in the city, by virtue of the industry service chains covering many tea business entities, the product broadens the new form of “modern Sannong” services.

In February 2021, the Bank successfully implemented the first debt financing plan of accounts receivable of RMB180 million in Beijing Financial Assets Exchange, which provided a package of services through the “lead underwriting + investment” model to enterprises, helped enterprises in the Greater Bay Area to broaden financing channels, revitalized corporate assets, and further enriched the Bank’s financial service solutions for enterprises in the Greater Bay Area.

In April 2021, the Bank launched the “D-Easy Loan (D易貸)” business, innovating to realize the combination of online and offline scenarios, and through offline verification of the authenticity of customer information and online approval, improving customer risk management capabilities, increasing business processing speed, and effectively satisfying customers’ needs in financing.

In May 2021, the Bank launched a comprehensive innovative financial solution named “Listing Service (上市通)” which can meet the financial needs of enterprises at various stages such as seed stage, start-up stage, growth stage and mature stage, fully supported the “Three-year Action Plan for Listing of Enterprises” of Dongguan with financial power, comprehensively promoted the development of enterprises, helped companies to be listed successfully and make listed companies become bigger and stronger.

In May 2021, the Bank built an industrial financial service platform that includes three modules, namely smart bills, smart supply chain and smart risk control. Closely following the industrial economic development trend and policy requirements, and centering on the two service aims of “local real economy” and “industrial upgrading and development”, the platform gives full play to the advantages of the industrial financial business brand characteristics, solves the dilemma of “difficult financing, expensive financing and complicated financing” of enterprises, and promotes the formation of industrial alliances between core enterprises and upstream and downstream enterprises, which realizes the win-win development for all parties of industrial chain.

In July 2021, the Bank launched the product “Business Stability Card (穩業卡)”, a loan product for credit granting to cardholders with individual debit cards of the Bank as the carrier. Through offline credit granting and online lending, as well as one-time credit granting and recycling model, the product meets the financing needs for production and operation of borrowers.

In August 2021, the Bank issued the “Rural Revitalization Themed Credit Card” product to create an exclusive credit card for Dongguan villagers, meet the needs of building a beautiful village in Dongguan, help villagers improve their quality of life, and realize high-level financial services to help farmers.

In September 2021, the Bank carried out the “whole village credit” for rural revitalization financial services to meet the daily consumption financing needs of local village residents in Dongguan. After a comprehensive assessment of the village residents who meet the access conditions, the Bank supported rapid and bulk pre-credit to further enhance the breadth and depth of rural revitalization financial services.

In September 2021, the Bank launched the “Qingwu Series (青梧系列)” net worth closed-end mutual fund. The product has the characteristics of flexible investment, high asset returns and various durations, which are also the characteristics of traditional private closed-end wealth management. It is also publicly offered to all customer groups in the form of public offering to implement the concept of inclusive finance.

In September 2021, the Bank launched a family trust business in cooperation with a leading domestic trust company. This product is mainly aimed at ultra-high net worth customers in Dongguan, providing trust business such as asset management, property planning, risk isolation, asset allocation, children’s education, family governance, public welfare (charitable) undertakings and other affairs management and financial services, realized the superposition of products and services.

In October 2021, the Bank launched the product “Talent Loan (人才貸)” to actively respond to the Interim Measures for the Management of Talent Cards in Dongguan and other policies, provide professional financing consulting services, preferential credit funds and preferential interest rate policies for various talents recognized by the Dongguan Municipal Government, implement the “Talents in Dongguan” strategy, and further improve the service guarantee mechanism for high-level talents.

In October 2021, the Bank launched the product “Enterprise Loan (優企貸)” for corporate customers who have opened settlement accounts with the Bank. Through the data integrated data analysis, we have realized online application, online approval and online lending. It adopts the loan-to-return model, which effectively improves financing efficiency and meets the daily payment and settlement and short-term liquidity needs of SMEs.

V. DISTRIBUTION CHANNELS

(I) Physical Distribution Channel

As of the end of the Reporting Period, the Bank had 504 branches and sub-branches (excluding the headquarters), including 500 in Dongguan and four in other cities within the province. Our number of bank branches in Dongguan ranks first in terms of number of bank branches in Dongguan. The Bank has two branches outside Dongguan in Guangzhou and Zhuhai, and two sub-branches outside Dongguan in Huizhou and Qingyuan.

In addition, the Bank established four county banks with third parties in Dongguan, Huizhou and Yunfu in Guangdong Province, and Hezhou in Guangxi Zhuang Autonomous Region, and these four county banks have 10 branches in total (excluding their headquarters). The Bank also established two rural commercial banks with third parties in Zhanjiang City and Shantou City in Guangdong Province, and these two rural commercial banks have 173 branches in total (excluding their headquarters).

(II) Self-service Banking Channel

As at the end of the Reporting Period, the Group had 1,809 automatic teller machines (ATMs), self-service enquiry terminals, self-service card issuing terminals and intelligent service terminals; among them, there are 1,072 automatic teller machines (ATMs), 365 self-service enquiry terminals, 53 self-service card issuing terminals and 319 intelligent service terminals.

(III) E-banking Channel

During the Reporting Period, the Bank continued to optimize customer experience of e-banking channels, continuously deepened the construction of financial and non-financial ecosystems, further enhanced the digital operation capabilities of online channels and improved the channel business system. The electronic channels of the Bank mainly include mobile banking, online banking, cash management system, WeChat banking, telephone banking, etc. As at the end of the Reporting Period, the Bank's comprehensive counter replacement rate of electronic channels was 97.18% representing an increase of 1.14% over the end of the previous year.

VI. MAJOR SUBSIDIARIES

(I) Zhanjiang RCB

Zhanjiang RCB was established on October 26, 2019, and its address is Building 2, Comprehensive Business Building, No. 51 Renmin Avenue Middle, Zhanjiang Economic and Technological Development Zone, Guangdong Province. The registered capital is RMB1,655 million, and the Bank holds 49.41% of its shares. The business scope of the company includes: taking RMB public deposits; extending short-term, medium-term and long-term RMB loans; handling domestic settlements; handling the acceptance and discounting of notes; issuing, paying and underwriting government bonds as an agent; trading government bonds and financial bonds; interbank lending; bank card (debit card) business; receipt and payment of money as an agent and acting as an insurance agent; providing safe deposit box services; other businesses approved by the banking regulatory authority under the State Council and other relevant regulatory authorities. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities). As of the end of 2021, Zhanjiang RCB had total assets of RMB32.125 billion, total liabilities of RMB28.816 billion; deposit balance of RMB26.564 billion, net loans of RMB15.771 billion.

(II) Chaoyang RCB

Chaoyang RCB was established on November 26, 1997, and its address is No. 38 West Huancheng Road, Wenguang Street, Chaoyang District, Shantou City, Guangdong Province. The registered capital is RMB1,202 million, and the Bank holds 67.03% of its shares. The business scope of the company includes: the businesses approved by the CBIRC in accordance with relevant laws, administrative regulations and other provisions. The scope of business shall be subject to the approval documents. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities). As of the end of 2021, Chaoyang RCB had total assets of RMB33.098 billion, total liabilities of RMB31.387 billion; deposit balance of RMB30.793 billion, net loans of RMB5.055 billion.

(III) Huizhou Zhongkai Dongying County Bank

Huizhou Zhongkai Dongying County Bank was established on December 13, 2010, and its address is No. 8, Chenjiang Avenue Middle, Chenjiang Street, Zhongkai High-tech Zone, Huizhou City, Guangdong Province. The registered capital is RMB300 million, and the Bank holds 51% of its shares. The business scope of the company includes: taking public deposits; extending short-term, medium-term and long-term loans; handling domestic settlements; handling the acceptance and discounting of notes; providing safe deposit box services; interbank lending; bank card (debit card) business; issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent and acting as an insurance agent; trading government bonds and financial bonds; other businesses approved by the banking regulatory authority under the State Council. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities). As of the end of 2021, Huizhou Zhongkai Dongying County Bank had total assets of RMB890 million, total liabilities of RMB730 million; deposit balance of RMB670 million, net loans of RMB574 million.

(IV) Yunfu Xinxing Dongying County Bank

Yunfu Xinxing Dongying County Bank was established on December 23, 2011, and its address is No. 68 and 69 Xinzhou Avenue South, Xincheng Town, Xinxing County, Yunfu City, Guangdong Province. The registered capital is RMB100 million, and the Bank holds 51% of its shares. The business scope of the company includes: taking RMB deposits; extending short-term, medium-term and long-term loans; handling domestic settlements; handling the acceptance and discounting of notes; interbank lending; bank card (debit card) business; issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent; other businesses approved by the banking regulatory authority. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities). As of the end of 2021, Yunfu Xinxing Dongying County Bank had total assets of RMB599 million, total liabilities of RMB515 million; deposit balance of RMB473 million, net loans of RMB425 million.

(V) Dongguan Dalang Dongying County Bank

Dongguan Dalang Dongying County Bank was established on June 25, 2012, and its address is shop 108-109, 1/F and 12/F, Yingfeng Building, No. 328 Fumin Middle Road, Dalang Town, Dongguan City, Guangdong Province. The registered capital is RMB100 million, and the Bank holds 35% of its shares. The business scope of the company includes: taking RMB public deposits; extending short-term, medium-term and long-term RMB loans; handling domestic settlements; handling the acceptance and discounting of notes; interbank lending; bank card (debit card) business; issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent and acting as an insurance agent; other businesses approved by the banking regulatory authority under the State Council. (Operating with valid licenses) (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities). As of the end of 2021, Dongguan Dalang Dongying County Bank had total assets of RMB1,023 million, total liabilities of RMB882 million; deposit balance of RMB863 million, net loans of RMB706 million.

(VI) Hezhou Babu Dongying County Bank

Hezhou Babu Dongying County Bank was established on August 8, 2012, and its address is No. 200 Jiangbei Middle Road, Lingfeng Community, Chengdong Street, Hezhou City, Guangxi Zhuang Autonomous Region. The registered capital is RMB100 million, and the Bank holds 51% of its shares. The business scope of the company includes: taking RMB deposits; extending short-term, medium-term and long-term loans; handling domestic settlements; handling the acceptance and discounting of notes; interbank lending; bank card (debit card) business; issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent and acting as an insurance agent; other businesses approved by the banking regulatory authority under the State Council. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities). As of the end of 2021, Hezhou Babu Dongying County Bank had total assets of RMB1,252 million, total liabilities of RMB1,136 million; deposit balance of RMB962 million, net loans of RMB886 million.

VII. Environmental Analysis and Future Prospect

(I) Industry Pattern and Trend Analysis

In 2021, the economic development and pandemic prevention and control in China maintained at a leading level in the world. The main macro indicators were generally within a reasonable range, and the development resilience continued to increase, achieving a good start to the “14th Five-Year Plan”. In 2022, the world economy is affected by the COVID-19 pandemic, especially the variant, and the external environment is becoming more complex, severe and uncertain. The economic operation in China faces increasing difficulties and challenges. However, sustained economic recovery and development will not change, and the long-term positive fundamentals will not change. It is expected that in 2022, the economic work will maintain the general keynote of maintaining a stable position and seeking progress while maintaining stability, as well as stimulate the vitality of market entities, guide financial institutions to increase support for the real economy, especially SMEs, technological innovation and green development, and also provide new opportunities for the development of banks. It is expected that in 2022, the credit scale of the banking industry will grow steadily, and the support for SMEs, technological innovation, green development and other fields will increase.

From the perspective of regional economic development, Dongguan has reached a new starting point of “Double 10,000 (雙萬)”, with a GDP of trillions and a population of 10 million in Dongguan. It will focus on “technological innovation” and “advanced manufacturing”, and emphasize on industrial digitization and digital industrialization. It will comprehensively build an industrial cluster development echelon of “hundred, thousand, ten thousand, hundred million” level, strive to achieve high-quality development of the economy from a new starting point of trillions, promote the in-depth integration and co-existence and co-prosperity of population of exceeding 10 million and the city, deeply participate in the construction of Guangdong-Hong Kong-Macao Greater Bay Area, and accelerate the development of seven “new highlands” in the Guangdong-Hong Kong-Macao Greater Bay Area with industrial digitization and digital industrialization as the emphases, carbon peaking and carbon neutrality as the traction, and four strategic platforms and seven strategic emerging industrial bases as the carriers.

(II) Management Measures for 2022

In 2022, the second three-year development plan for the third transformation of the Group will enter the key stage which is a connecting link between the preceding plan and the following plan. We will adhere to the established deployment of the “1+12348” strategic plan, center on the vision of building a “regional modern rural commercial bank group”, focus on digitization and collectivization, maintain strategic focus, strengthen strategic execution, and accelerate the comprehensive construction of core competitiveness system of “four beams and eight pillars (四樑八柱)”.

Firstly, to strengthen in-depth customer management. The Bank will further deepen the implementation of the “133” project of rural revitalization financial services. By increasing the market share of village groups (community), expanding the core customer group of villagers and strengthening the rural revitalization brands, the Bank will focus on serving the customer groups of modern countryside, modern agriculture and modern farmers. The Bank will deepen the implementation of the “1+3+N” grid service and marketing model, center on the city characteristics of “technological innovation + advanced manufacturing” in Dongguan, focus on serving the customer groups in the industrial chain, supply chain and value chain of advanced manufacturing industry, and help to promote high-quality development of manufacturing industry. The Bank will deepen the implementation of corporate financial services of “specialty, excellency, uniqueness and innovation”, and focus on serving the advanced entrepreneurs engaged in entrepreneurship, R&D innovation institutions engaged in innovation and customer groups engaged in manufacturing in the manufacturing industry. The Bank will build a group customer ecosystem by continuously deepening the modern customer management system of “modern Sannong”, “three chains” and “three innovations”.

Secondly, to accelerate the pace of business development. The Bank will continue to build the core business system with traditional business alongside emerging business focusing on customers, centering on transformation and being driven by innovation. The Bank will not only strengthen its core business advantages, but also accelerate the development of emerging business market. The Bank will further strengthen and optimize corporate finance, strengthen and complete retail finance, strengthen and consolidate small and micro finance, strengthen and revitalize interbank finance, also strengthen and refine digital finance. The Bank will build five advantageous business segments and strive to achieve a comprehensive improvement in the abilities for market share, innovation and development, product coverage and professional operation.

Thirdly, to reinforce the foundation of risk prevention and control. The Bank will further improve the construction of comprehensive risk management system, adhere to the bottom line of risk, and strengthen the foundation of risk control. The Bank will focus on optimizing risk management mechanisms, promoting the construction of risk control systems, and strengthening asset quality management and control ability; strengthen the ability for internal control compliance construction by deepening compliance mechanism and cultural construction, deepening internal control supervision and case prevention management, deepening anti-money laundering compliance risk management, and deepening account risk management; escort the high-quality sustainable development of the Group by optimizing the allocation of audit resources, continuously iterating the audit system, strengthening accountability and execution, and strengthening audit supervision capability.

Fourthly, to strengthen organizational guarantee. The Bank will deepen the promotion of digital transformation, and will actively build a “digital economic symbiosis” that is closely integrated with local industries and characteristic customer groups by accelerating online traditional businesses, intelligent financial services and ecological service scenarios. Focusing on improving the quality of group development, and relying on the group operation pattern of “One Core with Two Wings”, the Group will emphasize on the management of subsidiaries, deepen the strategic synergy and business synergy of the Group, and improve the efficiency of group operation. The Bank will fully empower comprehensive management, make overall plans for pandemic prevention and control and operation management, promote the adaptation of the organizational management model to the current development status of the Group and the external operating environment, and comprehensively improve management efficiency.



**Persevere with
every choice**

If you persist, you will see hope

■ Chapter IV Environmental, Social and Corporate Governance (ESG)



The Bank always adheres to the corporate purpose of “accompanying, trusting and growing with each other”, takes “creating maximum value for inclusive finance” as its core value, and fully integrates the concept of environmental, social and corporate governance (ESG) into the daily operation and management. The Bank went back to basics to support rural revitalization, integrated industry and finance to promote regional development, developed green finance to support double-carbon compliance, strengthened services for anti-epidemic reliefs, and took the responsibilities in consolidating poverty alleviation. The Bank gave back to society with practical actions, actively fulfilled its corporate social responsibility, promoted high-quality sustainable development of the economy, environment and society, and supported in achieving the goal of common prosperity.

I. PRACTICE INCLUSIVE FINANCE AND FULFILL SOCIAL RESPONSIBILITIES

(I) Adhere to the Original Intention to Serve the Economy and People’s Livelihood

1. Focus on core customers and practice inclusive finance

The Bank responded to the financing needs of agriculture-related enterprises and SMEs comprehensively, innovated inclusive financial products and services, focused on alleviating the problem of “difficult financing, expensive financing” for SMEs, and enhanced credit support for agricultural-related enterprises and SMEs. Firstly, the Bank innovated the rural revitalization financial service means. The Bank established a rural revitalization financial service center, launched the “133” project of rural revitalization financial services, and implemented the three dispatch systems to comprehensively improve the efficiency and level of serving rural revitalization. As of the end of December 2021, the Bank’s total loan balance for “modern sannong” customers amounted to RMB56,312 million, accounting for approximately 20% of the general loans of the Bank, representing an increase of RMB9,779 million or 21.02% over the beginning of the year. The inclusive financial service level was further improved. Secondly, the Bank increased the supply of SME credit. As of the end of December 2021, the balance of full-caliber SMEs loan of the Bank was RMB119.775 billion, a net increase of RMB26.040 billion or 27.78% over the beginning of the year. The balance of SMEs loans of not more than RMB10 million each (including small and micro enterprise loans, individual industrial and commercial household loans as well as SMEs owner loans, and excluding discounts) was RMB26.6 billion, an increase of 33.88% over the beginning of the year, representing an increase of 17.86 percentage points over the growth rate of various loans at the beginning of the year; the number of customers, to which loans have been granted, was 21,346, representing an increase of 2,654 over the beginning of the year; and the interest rate of newly issued SMEs loans in 2021 dropped by 0.18 percentage point compared with the interest rate of newly issued loans in 2020. Thirdly, the Bank strengthened product and service innovation. The Bank introduced innovative products such as Financial Relief Loan (紓困貸), Government Procurement Loan (政採貸), Industry Supportive Loan (穩業貸), E-drug Loan (E藥貸), Venture Capital Loan (創業貸), Seafood Loan (海鮮貸), Sci-insurance Loans (科保貸), Tea Loan (茶葉貸), Government Project Loan (政銀保), Excellent Enterprise Loan (優企貸) and Talent Loan (人才貸) to precisely connect with the needs of SMEs customers. As of the end of December 2021, the loan balance of the Venture Capital Loan (創業貸) of the Bank was RMB533 million, and the number of customers was 2,414. Fourthly, the Bank made efforts to reduce corporate financing costs. In 2021, the Bank has applied to the PBoC for refinancing loans of RMB6,853 million, which effectively reduced the financing cost of enterprises. Of which, refinancing loans applied for supporting SMEs amounted to RMB6,801 million, supporting 3,148 SME customers.

2. Focus on industrial transformation and drive regional development

The Bank proactively responded to the national strategies such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Guangzhou-Shenzhen Science and Technology Innovation Corridor, followed the pace of industrial restructuring, and fully supported high-end manufacturing industry, new generation information industry, biomedical industry, environmental protection, education and other livelihood and key industries. The Bank offered eight comprehensive financial service plans, namely “Green Financing (綠融通)”, “Campus Financing (校融通)”, “Bank-Hospital Financing (銀醫通)”, “Smart Financing (智融通)”, “Park Financing (園融通)”, “Bay Area Financing (灣融通)”, “City Financing (城新通)” and “Listing Financing (上市通)”, and comprehensively promoted the development in fields such as people’s livelihood, urban modernization and manufacturing industry. In terms of industrial finance loan, as of the end of December 2021, the balance of industrial finance loan of the Bank was RMB116,866 million. Among them, the Bank provided credit support of RMB32,604 million for various parks, and provided loans of RMB20,811 million to 119 parks with the balance of loans amounted to RMB15,910 million. In terms of supporting the manufacturing industry, the balance of loans supporting manufacturing and related industries amounted to RMB39,379 million, representing an increase of RMB10,412 million or 35.94% as compared with the beginning of the year, of which the balance of medium and long-term loans supporting manufacturing and related industries was RMB21.887 billion, representing an increase of RMB7,261 million or 49.64% as compared with the beginning of the year, accounted for 55.58% of the balance of loans to manufacturing and related industries. In terms of investment banking business, the Bank gradually transformed into a comprehensive financing service provider, and proactively developed the “commercial bank + investment banking” model to provide diversified comprehensive financial services for enterprises. As of the end of December 2021, the balance of investment banking business reached RMB11.088 billion, providing customers with a full range of financial services.

(II) Actively Support Anti-epidemic Relief

In the face of the situation of local and multiple outbreaks of COVID-19, the Bank actively implemented various arrangements of the Party Central Committee and the provincial and municipal governments, focused on epidemic prevention and control, and placed the support for resumption of work and production of enterprises in more prominent position. The Bank was the first in the industry in Dongguan to launch the reservation closed-door service, and immediately launched a series of policy measures such as “Nine Measures for Financial Support to Fight the Epidemic” and “Sixteen Measures to Support Resumption of Work and Production”. The Bank has also offered innovative financial products such as “SMEs Relief Package (小微紓困優惠包)”, “Work Resumption Loan (復工貸)”, “Production Resumption Loan (複產貸)” and “Industry Supportive Loan (穩業貸)”. Through the “1+3+N” grid-based financial service model, the Bank focused on increasing the support for relief of SMEs in the manufacturing industry and industrial chain, fully demonstrating the responsibility of financial institutions.

1. Strengthen relief support

Firstly, the Bank fully safeguarded financial services during the pandemic. The Bank innovatively launched the reservation close-door service in the banking industry in Dongguan, which is the first bank in the city to resume operation and has the largest number of open outlets during the pandemic. Secondly, the Bank fully supported the resumption of work and production of enterprises. A total of RMB75.0 billion of loans were granted to support over 28,000 SMEs for the resumption of work and production, and more than RMB97 billion of new credit was granted to pandemic prevention and control enterprises and industry and enterprises affected by the pandemic. Thirdly, the Bank fully supported the relief of enterprises. From the outbreak of the pandemic to the end of 2021, the Bank has provided temporary postponement of principal repayment for over 600 inclusive SMEs with a total loan of RMB2,511 million. Fourthly, the Bank spared no effort to reduce the financing cost of enterprises. Through interest and fee reduction, the accumulated fee reduction for enterprises and individuals amounted to approximately RMB810 million since 2021. Fifthly, the Bank comprehensively provided stable financial support. Since the outbreak of the pandemic, more than RMB60 billion of medium- and long-term loans have been granted to SMEs. Focusing on “stabilizing enterprises, industries and employment”, the Bank has innovatively launched “Industry Supportive Loan (穩業貸)” products. Up to now, the Bank has granted loans of RMB4,752 million to 1,123 SMEs. Sixthly, the Bank fully supported entrepreneurship. The Bank and the Human Resources Bureau and the Finance Bureau of Dongguan jointly launched small business loans and issued RMB533 million of business loans to 2,414 individual business households and farmers.

2. Build a vanguard of pandemic prevention and corporate assistance

In the face of the outbreak of the pandemic, the Party committee of the head office stepped forward to provide guidance and deployment in a scientific manner, and formed a “little blue armour (小藍甲)” epidemic prevention vanguard with a total of 1,080 members, led by the leadership team of the Party committee to major towns, streets, village or groups (communities) and hospitals in the city to assist in nucleic acid testing, voluntary services and other tasks, donated more than 800,000 masks, more than 400 protective clothing, and provided a number of air conditioners, fans, tents, forehead temperature guns, gloves, disinfectant and other pandemic prevention materials and emergency living supplies, actively supported the pandemic prevention front line in Dongguan, and assumed the responsibilities and roles of financial workers with practical actions.

(III) Optimize Services and Protect Customers' Rights and Interests

The Bank adhered to the original intention of service, continuously improved the management system, simplified the service process, refined the service standards, and maintained professional, high-efficiency and warm services. Firstly, the Bank optimized its business processes. In 2021, a total of 558 counter business processes and 282 smart equipment pipeline processes were optimized to constantly improve the customer experience. Secondly, the Bank innovated its service means. The Bank promoted the remote service mode of cloud bank, and applied video communication technology to break the time and space constraints of services and improve the convenience of customers' access to services; and the Bank implemented the simple account opening mode for SMEs so as to realize the account optimization service of "facilitating payment and account opening (支付為民、開戶不難)". Thirdly, the Bank standardized the service behavior. The Bank strengthened the software and hardware construction of outlets, and enhanced the training and assessment of service personnel of outlets. More than 3,200,000 service appraisals of window customers were obtained for all outlets of the Bank in 2021 with a customer satisfaction ratio of 99%. Meanwhile, with the overall improvement of service quality, the business department of Changping Branch of the Bank was honored as the "Top 1,000 Demonstration Outlets of Civilized and Standardized Service in Banking Industry" in 2021. Fourthly, the Bank strengthened the protection of consumers' rights and interests. The Bank established the consumer protection review mechanism for products and services, standardized the information disclosure of financial products and services, improved the assessment mechanism, cleared the complaint management channels, and strengthened consumer education and publicity. In 2021, a total of 378 consumers' rights and interests publicity activities were carried out, covering nearly 130,000 person times.

(IV) Support and Consolidate Poverty Alleviation for Public Welfare

Dongguan Rural Commercial Bank always embraces the local complex of "born in Dongguan, raise in Dongguan, strive in Dongguan, and give back to Dongguan", and strives to practice social responsibilities in a broader field of people's livelihood based on financial services. The Bank strongly supported the poverty alleviation and implemented poverty alleviation and assistance work. As of the end of 2021, the total amount of our Bank's relief assistance for public welfare and charity reached RMB7.4262 million. The Bank actively supported the construction project of featured high-quality demonstration villages, deeply participated in the rural revitalization work, promoted the effective connection between the achievement of poverty alleviation and rural revitalization, and actively promoted the construction of "the city in the Bay Area, high-quality Dongguan". The Bank also strongly supported the education industry. The Bank initiated the establishment of the first education public welfare foundation in the financial industry of Dongguan, and donated a total of RMB28 million to the foundation. As of the end of 2021, the foundation has donated RMB9.8612 million in aggregate to support the development of educational business, including a total of 1,468 love schoolbags, and the donations to 21 public middle schools and kindergartens for repairing schools and improving learning environment.

II. DEVELOP GREEN FINANCE AND SUPPORT DOUBLE-CARBON COMPLIANCE

(I) Develop Green Finance and Support Green Industries

The Bank has thoroughly implemented major strategic decisions of the Party Central Committee and the State Council on carbon peaking, carbon neutralization and strengthening the construction of ecological civilization, proactively implemented the green development concept and improved the green finance service through multiple measures. On one hand, the Bank has continuously improved the comprehensive financial service plan for the “Green Financing (綠融通)” environmental protection industry, and provided financing assistance to green environmental protection enterprises through a number of financial products such as the “Ecological Restoration Loans (生態修復貸)”, “Green Project Loans (綠色項目貸)”, “Energy Saving Loans (節能貸)”, “Technological Improvement (Discount) Loans (技改(貼息)貸)”, “Leasing (Discount) Loans (租賃(貼息)貸)”, “Green Bonds (綠色債券)” and “Industrial Funds (產業基金)”, to vigorously promote the steady development of green industry. As of the end of 2021, the balance of green credit of the Bank was RMB7.334 billion, representing an increase of RMB1.24 billion or 20.35% over the beginning of the year. On the other hand, the Bank profoundly participated in the issuance and investment of green bonds, supporting the gathering and devotion of financial resources into green and low carbon industries. As of the end of 2021, the Bank issued RMB3 billion of green financial bonds in aggregate, with all proceeds raised invested in loans to green projects as certified by third party institutions, and utilized in pollution prevention and treatment, resources conservation and recycling, and clean energy involved in green projects. Besides, the total denomination of green bonds held by the Bank as of the end of 2021 totalled RMB2,668 million, representing an increase of 349.16% year-on-year.

(II) Promote Green Services and Realize Green Operation

The Bank vigorously promoted online financial services, including providing customers with 7*24-hour financial services through the construction and optimization of online channels such as mobile banking, online banking, WeChat banking, SMS banking, D payment and D+Bank, and intensified the innovation and optimization of product functions of various online channels to further enrich the construction of non-financial scenarios of online channels, create a high-frequency consumption scenario ecosystem, enabling customers to easily obtain various services such as transfer, inquiry, financing and settlement through mobile customer end, effectively reduce transportation costs, so as to achieve energy conservation and emission reduction. Also, the Bank upheld the concept of sustainable development, promoted green operation of the Bank from aspects such as code of conduct of employees, energy consumption of office, etc. Through actively developing employees’ awareness of energy conservation and environmental protection, advocating water, paper and electricity conservation, strengthening waste recycling and management, optimizing the utilization efficiency of office water and electricity, and reducing the procurement and utilization of disposable office supplies, the Bank achieved energy conservation and emission reduction in its operation. The Bank actively promoted green procurement, adhered to the principles of openness, fairness and impartiality, selected qualified suppliers by means of bidding, negotiation and inquiry, and promoted the improvement of the Bank’s environmental behavior.

(III) Conduct Green Action and Advocate Green Life

The Bank actively carried out various green actions, vigorously advocated green and healthy lifestyle, conducted environmental protection activities, afforestation, green hiking, etc., and procured employees to “devote themselves and start from the basics”, to beautify the ecological environment in practice, integrate the lifestyle concept of low carbon and environmental protection into personal life, actively create a good atmosphere for green life, so as to form an environment of happy work and healthy life. Meanwhile, the Bank vigorously promoted the civilized dining table of “Empty Your Plate (光盘行动)”, advocated the virtue of hard work and thrift, developed a good habit of healthy life and civilized dining, and created an atmosphere of “wasting food is shameful and thrift is honored” for the society, to effectively put an end of food waste.

III. IMPROVE GOVERNANCE LEVEL AND PROMOTE STABLE OPERATION

The Bank has established a sound corporate governance system and a clear corporate governance structure, and clearly divided the management and supervision powers, functions and responsibilities among the Board of Directors, the Board of Supervisors and senior management. The Bank follows the principles of independent operation, effective checks and balances, mutual cooperation and coordinated operation of all governance entities to establish a reasonable incentive and restraint mechanism, and achieve scientific decision-making, implementation and supervision.

In order to fully achieve the integration of social responsibility management concept with its own development strategy, corporate culture and business activities, the Bank has established an ESG management structure and set up an ESG working group. The Board of Directors is responsible for the decision-making and management of ESG work, the ESG work group is responsible for promoting the implementation of ESG work, and senior management is responsible for the implementation of ESG work.

During the Reporting Period, the Board of Directors of the Bank earnestly fulfilled its responsibilities related to the environment, society and governance. The Board of Directors and relevant committees considered and approved relevant proposals on the “Outline of the Second Three-Year Development Plan for the Third Transformation (2021-2023)”, “Measures for the Management of Corporate Social Responsibility”, “Work Plan for Construction of the Consumer Rights Protection System and Mechanism”, “Revision of ‘Management Measures for the Protection of Consumer Rights and Interests’”, “Revision of ‘Implementation Rules for Handling Consumer Complaints’”, “Implementation Rules for Quick Settlement and Compensation of Financial Disputes”, “Green Credit Work Report in 2020”, “Consumer Rights Protection Work Report in 2020” as well as the 2020 annual report and 2021 interim report of the Bank, etc., so as to further build and improve the ESG management system of the Bank, actively promote the fulfillment of social responsibilities by the Bank, and achieve long-term sustainable development.

For further details on corporate governance, please refer to the “Corporate Governance Report” chapter in this report. For details of the environmental, social and corporate governance of the Bank, please refer to the “Environmental, Social and Corporate Governance Report of Dongguan Rural Commercial Bank Co., Ltd. in 2021” to be released by the Bank in or before May 2022.



Gently watch over
every initial heart

Go far due to original intention, and
walk long due to inheritance

■ Chapter V Sannong Financial Services



Comprehensively promoting rural revitalization and accelerating modernization of agriculture and rural areas are the focus of the current and future “Sannong” work established by the party and the state. As the main force of “Sannong” financial services, Dongguan Rural Commercial Bank fully connected with requirements of documents such as Opinions of the State Council on Comprehensively Pushing forward Rural Revitalization and Accelerating Modernization of Agriculture and Rural Areas and Law of the People’s Republic of China on the Promotion of Rural Revitalization, continued to promote the implementation and effectiveness of the hard tasks of rural revitalization, and demonstrated the role of the main force in the “Sannong” finance.

I. WENT ALL OUT TO HELP SANNONG FINANCE STAND FIRM

With the fundamental service tenet of supporting agriculture, supporting small and micro-sized enterprises and supporting real economy, the Bank has continuously innovated the methods, ways, products and services of rural revitalization financial services, comprehensively improved the efficiency and level of rural revitalization services, and helped Dongguan realize “Industry-prosperous villages, beautiful villages, and inclusive villages”. First, the support for Sannong continued to increase. As of the end of December 2021, the balance of the Bank’s agriculture-related loans was RMB32.277 billion, an increase of RMB3.447 billion or 11.96% over the beginning of the year. Among them, the Bank’s loans to rural households amounted to RMB26.045 billion, and the agriculture-related loans to support urban enterprises and various organizations amounted to RMB5.873 billion, provided a strong financial support for modern Sannong. Second, inclusive agriculture-related loans continued to grow. As of the end of December 2021, the Bank’s inclusive agriculture related loans amounted to RMB4.936 billion, an increase of RMB773 million or 18.58% compared with the end of last year, and inclusive loans to agriculture-related enterprises amounted to RMB103 million, inclusive farmer operating loans amounted to RMB4,833 million, further improved the level of inclusive financial services. Third, the assessment of “two increases and two controls” continued to meet the standards. As of the end of December 2021, in terms of two increases: the balance of loans to small and micro enterprises (including loans to small and micro enterprises, loans to individual industrial and commercial households, loans to small and micro business owners, excluding discounts) with a total amount of credit for a single account of less than RMB10 million (inclusive) was RMB26.600 billion, a 33.88% increase over the beginning of the year, 17.86 percentage points higher than the growth rate of various loans compared with the beginning of the year; the number of loans was 21,346, an increase of 2,654 compared with the beginning of the year; In terms of two controls: the interest rate of newly issued loans to small and micro enterprises in 2021 was 5.52%, a decrease of 0.18 percentage points from the rate of newly issued loans in 2020, and the non-performing rate of inclusive loans to small and micro enterprises was 0.89%, which is controlled within the level of no more than 3 percentage points of various loans, and achieved the assessment target of “two increases and two controls”. Fourth, strengthened the research awareness of Sannong Finance service policy. As of the end of December 2021, the Strategic Decision and Sannong Committee of the Board of the Bank held 15 meetings, with a total of 73 proposals. For example, the Bank reviewed proposals including the “Proposal on the Second Three-Year Development Plan for the Third Transformation of Dongguan Rural Commercial Bank (Group) (2021-2023)”, “Proposal on the Implementation Plan of Dongguan Rural Commercial Bank of Rural Revitalization Financial Service “133” Project”, and “Proposal on Optimizing the Organizational Structure of Rural Revitalization”.

II. FULLY IMPLEMENTED AND PROMOTED THE FULL BLOOM OF SANNONG FINANCE

During the Reporting Period, the Bank closely followed the deployment of the rural revitalization strategy proposed by the 19th Central Committee of the Party, continuously strengthened the firmness and consciousness of the implementation of the rural revitalization strategy, and promoted the overall upgrading of agriculture, the overall progress of the countryside, and the overall development of farmers, and then supported the achievement of the “two centenary” goal.

(I) Established the Rural Revitalization Financial Service Center

In order to fully connect with the national rural revitalization strategy, establish an organizational structure that matches the strategies of the Bank, and comprehensively improve the organizational efficiency of the Bank, the Bank have established the “Rural Revitalization Financial Service Center” at the head office on April 23, 2021.

1. Paid close attention to the national strategy of rural revitalization and focused on the development of Sannong

The foundation of building a powerful modern socialist country in an all-round way lies in the “Sannong”. The issues of agriculture, rural areas and farmers are still fundamental issues related to the national economy and people’s livelihood, and are an important factor affecting the process of socialist modernization in our country. Implementing the rural revitalization strategy is a major measure to fundamentally solve the “Sannong” issues. Rural revitalization includes comprehensive revitalization of industry revitalization, talent revitalization, cultural revitalization, ecological revitalization and organizational revitalization. It is the embodiment of the “five-in-one” overall layout and the “four comprehensive” strategic layout in the work of “Sannong”. the Bank actively responded to the call of the party and the state, and took the lead in establishing the city’s first “rural revitalization financial service center” at the head office level, and innovatively launched the “133” project of rural revitalization financial services. By closely following the national strategy for rural revitalization, the Bank has established three major personnel stationing systems for rural revitalization, which has comprehensively contributed to the high-quality and efficient agriculture, the livable and suitable industry in the rural areas, and the prosperity of the villagers.

2. Innovated the service system of sannong finance, enlarged and realized the rural revitalization

In order to strengthen the professional working mechanism of rural revitalization and provide more comprehensive and efficient financial services for “modern Sannong” at multiple levels and in all directions, the Bank has increased supports for resources and policies to professionals, product supply, and services, and has made every effort to improve the supply capacity of “modern Sannong” financial services and the coverage of rural financial services; comprehensively established three major dispatch systems for financial services to rural revitalization, and has dispatched three major personnel teams to serve all villages (communities) within its jurisdiction. The Bank dispatched rural revitalization financial instructors and party building and co-construction liaison personnel to 592 village committees (neighborhood committees) throughout the city, and dispatched nearly 4,000 inclusive financial service personnel to 2,348 village groups under all village committees, through which the Bank deeply served approximately 465,000 local households of villagers and fully supported the rural revitalization of Dongguan and the development of modern “Sannong”.

(II) Adhered to the Leadership of the Party and Consolidated the Cornerstone of Governance and Security

On the occasion of the 100th anniversary of the founding of the Party, and at the important historical moment when the Party and the people successfully achieved the first centenary goal, the Bank thoroughly implemented the spirit of the Sixth Plenary Session of the 19th Central Committee of the Party, and continuously innovated its service system and consolidated the governance and guarantee foundations for supporting agriculture.

1. Adhered to the leadership of party building and promoted the co-construction of integrated development

In order to gather financial development and jointly promote rural revitalization, we have effectively opened up the “last mile” of inclusive benefits for Sannong. Guided by party building in the new era and starting with the strategy of serving the rural revitalization, the Bank has actively carried out the work of “thousands of villages and party branches to promote rural revitalization” in party organizations at all levels of the Bank. Focusing on the general requirements of “prosperous industry, livable ecology, civilized rural customs, effective governance, and affluent life”, during the year, the Bank successfully connected with 597 village party organizations in Dongguan City (excluding non-real economy neighborhood committee party organizations), with a connection coverage rate of 100%. In the next stage, the Bank will take the full coverage of party building and joint building as a new starting point, integrate high-quality financial service resources, and deliver “financial living water” to the Sannong customer group.

2. Consolidated the foundation of social security and actively fulfilled social responsibilities

First, the Bank bravely assumed social responsibility. During the Reporting Period, through the Education Public Welfare Foundation of Dongguan Rural Commercial Bank, the Bank sponsored the reconstruction of General Wang Zuoyao’s Red Revolution Education Base at Qianjin Primary School in Houjie Town, Dongguan City; sponsored the printing and distribution of the comic strip “Red Memory” in Dongpu Primary School, Gaobu Town, Dongguan City; helped 13 poor students in Wangniudun Middle School; donated a batch of teaching aids to the Central Primary School, No. 1 Primary School and No. 2 Primary School in Shatian Town, Dongguan City; and carried out an activity of sending care and warmth to children in schools and villages across the city by holding the “DRCB • Love Accompanying” activity. Second, the Bank helped the construction of beautiful villages. During the year, the Bank continued to provide targeted donations to the renovation and upgrading projects of beautiful villages within its jurisdiction. For example, it has assisted projects such as the comprehensive upgrading of street signs and road signs in Wentang Community, Dongcheng District, Dongguan City; the construction of a small park on Longchuanbo Street in Liwu Village, Qiaotou Town, Dongguan City; the reconstruction of the basketball court in Hongwu Woxifang New Village, Hongmei Town, Dongguan City; and the upgrading and transformation of the green belt of Xianglong Street, Changlong Community, Huangjiang Town, Dongguan City. Third, the Bank actively carried out relevant social feedback business. During the Reporting Period, the Bank reached a cooperation agreement with six key fund institutions, including China Merchants, Wells Fargo, Huaxia, Huanan, Tianhong, and Huashang, and subsidized village groups to set up book corners and helped poor children or poor households according to the sales ratio. In addition, with the help of monetary policy tools, the Bank has increased credit support for small and micro enterprises and agriculture-related enterprises, reduced the financing pressure of small and

micro enterprises and agriculture-related customers. As of the end of December 2021, the application by the Bank for re-loans for small and medium-sized enterprises from the People's Bank of China has accumulated to RMB6.8 billion during the year, and the current balance of the re-loan is RMB6.8 billion. Besides, during this year, the Bank introduced the "Sannong Supportive Reloan (支農再貸款)" business, successfully connected with the Dongguan Central Sub-branch of the People's Bank of China, and applied and processed an Sannong Supportive Reloan (支農再貸款) of RMB52 million, with a term of 1 year and an annual interest rate of 2.25%, and has become the first financial institution in Dongguan to proceed agricultural re-loans.

(III) Unswervingly Advanced Three Major Projects, Made Precise and Deep Efforts in Modern Sannong

To rejuvenate the nation, the countryside must be rejuvenated. Taking advantage of the Listing, the Bank has brought together the power of the whole bank to help the modernization process of rural agriculture, to promote the high-quality and efficient development of agriculture, the livability and industry in rural areas, and the prosperity of farmers.

1. Promoted the agricultural project in modern rural areas, and promoted the livability and industry in rural areas

First, the Bank continued to support the growth and development of the rural collective economy. Rural collective economy is an important part of Dongguan's rural economy. According to the conditions such as the village group's net asset scale, disposable income, asset-liability ratio, specific guarantee method and business cooperation relationship, the Bank has voluntarily provided a credit to qualified village groups, which are used for special support for village groups and collective enterprises to upgrade and transform collective factories, the transformation of professional companies and the construction of beautiful villages; and has helped the village groups to revitalize property rents, increase the income of collective assets, and realize the transformation and upgrading of the collective economy. As of the end of December 2021, the balance of loans to village groups and village collective enterprises supported by the Bank was RMB3.226 billion. Second, the Bank promoted clearer water and bluer sky in rural areas. the Bank has launched a comprehensive financial service plan of "Green Finance(綠融通)" for the green environmental protection industry, provided comprehensive financial services for the core enterprises in the environmental protection industry and their upstream and downstream enterprises, and comprehensively supported rural environmental protection and ecological restoration projects, such as river remediation, landscape renovation and garbage disposal. As of the end of December 2021, the balance of green credit supported by the Bank was RMB7.334 billion, an increase of RMB1.24 billion or 20.35% from the beginning of the year.

2. Promoted the project of strengthening agriculture in modern agriculture, and promoted the high-quality and efficient development of agriculture

First, the Bank cultivated and expanded modern agricultural enterprises. During the Reporting Period, according to the territorial principle of the enterprises, the Bank has divided leading agricultural enterprises into various service grids, assigned them to each marketing personnel, and served on a door-to-door basis. Besides, the Bank continued to support the provincial and municipal agricultural leading enterprises and their upstream and downstream small and medium-sized enterprises or individuals with “Agricultural Leading Loans(農業龍頭貸)”, derived the healthy and vigorous development of the agricultural industry chain. As of the end of December 2021, the Bank has supported 10 provincial and municipal leading agricultural enterprises with a loan balance of RMB910 million. Second, the Bank promoted the reform and innovation of the collection mode. In order to further improve the work efficiency of village group collection and the convenience of public payment, the Bank has actively connected with the “Easy Village Payment (村繳易)” platform, provided online payment and batch collection functions for village collective economic organizations. As of the end of December 2021, the Bank has provided online rent collection services for 431 villages (communities) in Dongguan City, generated a total cash flow of RMB348 million. Third, the Bank promoted the elimination of the rural digital divide. In terms of mobile payment methods, the Bank actively linked the payment platforms of third-party manufacturers, and launched online card binding and one-click card binding on the user side without entering the card number. Besides, on the acceptance side and the payment side, the Bank supported a variety of payment methods, including cloud Quick Pass, Mobile Quick Pass, Union Pay QR code and face-scanning payment; in terms of mobile payment channels, relying on the construction of mobile payment demonstration towns, the Bank and all the co-organized banks have carried out the transformation of the mobile payment function of the acceptance terminal networking and general standard for all merchants in the mobile payment demonstration towns participated by the Bank, and realized the support of various acceptance terminals for various mobile payment service methods, including Union Pay mobile Quick Pass, various types of barcode payment. The Bank has also opened small-amount password-free payment for whitelisted merchants. During the Reporting Period, the Bank has completed the general transformation of the terminal network of over 2,000 existing special merchants, and the transformation rate of networked general merchants has reached 100%.

3. Promoted the prosperity of modern farmers and villagers

First, the Bank helped Sannong customers to start their own businesses and continue to increase their income. the Bank aimed to refine and improve the system of small-amount business loans, and focused on solving the problem of insufficient funds for the Sannong customer group in the process of starting a business, and provided an interest-free business loan of up to RMB500,000 to qualified business entities. As of the end of December 2021, the loan balance of Entrepreneurial Loan(創業貸) was RMB533 million, of which 759 rural households were supported, and the loan balance was RMB163 million. Besides, the Bank stepped up efforts to support the steady development of agricultural enterprises, and helped the village groups to stabilize and develop a number of Sannong enterprises with the “Stable Industry Loan(穩業貸)”, attracted more high-quality enterprises or merchants to settle in and supported the economic development of agricultural enterprises in the villages. As of the end of December 2021, the Bank had issued a total of RMB4.752 billion of “Stable Industry Loan(穩業貸)”, supported the stable operation of 1,123 Sannong enterprises, small and micro enterprises. Second, the Bank helped the consumption upgrade of Sannong residents and improved their lives. During the Reporting Period, the Bank innovated and launched credit cards with the theme of rural revitalization, and designed the card face based on the characteristics and elements of villages and towns, achieved “one card for one village, one code for each village”, supported and enriched the card use rights and interests, and created an exclusive credit card for Dongguan village (resident) residents. By the end of December 2021, the Bank had issued a total of 23,000 credit cards with the theme of rural revitalization. Besides, the Bank innovated and launched the “whole village credit” model, and increased the credit extension to Sannong customers. As of the end of December 2021, the Bank has completed the whole village credit extension scheme for 460 village groups, with a villager loan credit extension of RMB292 million and a loan balance of RMB155 million. Third, the Bank helped the preservation and appreciation of the assets of the Sannong customer group. the Bank actively catered to the wealth management needs of villagers; built a wealth management business system covering deposits, insurance, funds, government bonds and others; provided villagers with a package of wealth management products and one-stop asset allocation services; dedicated to enriching the financial product system and supporting the value-added rights and interests system; met the diversified needs of customers and effectively improved the customer service experience.

III. WHOLEHEARTEDLY PROMOTED SANNONG FINANCE FORWARD

The rural revitalization strategy proposed by the CPC Central Committee pointed out a new direction and drew a new blueprint for the development of “Sannong” in the new era. The Bank will closely follow the national strategic deployment, actively explore and implement the rural revitalization path, innovate concepts, integrate resources, highlight key points, pay close attention to the implementation of measures for Sannong, consolidate the successful achievements of poverty alleviation and promote the comprehensive development of rural revitalization.

(I) Implemented the Guiding Ideology of the Rural Revitalization Strategy

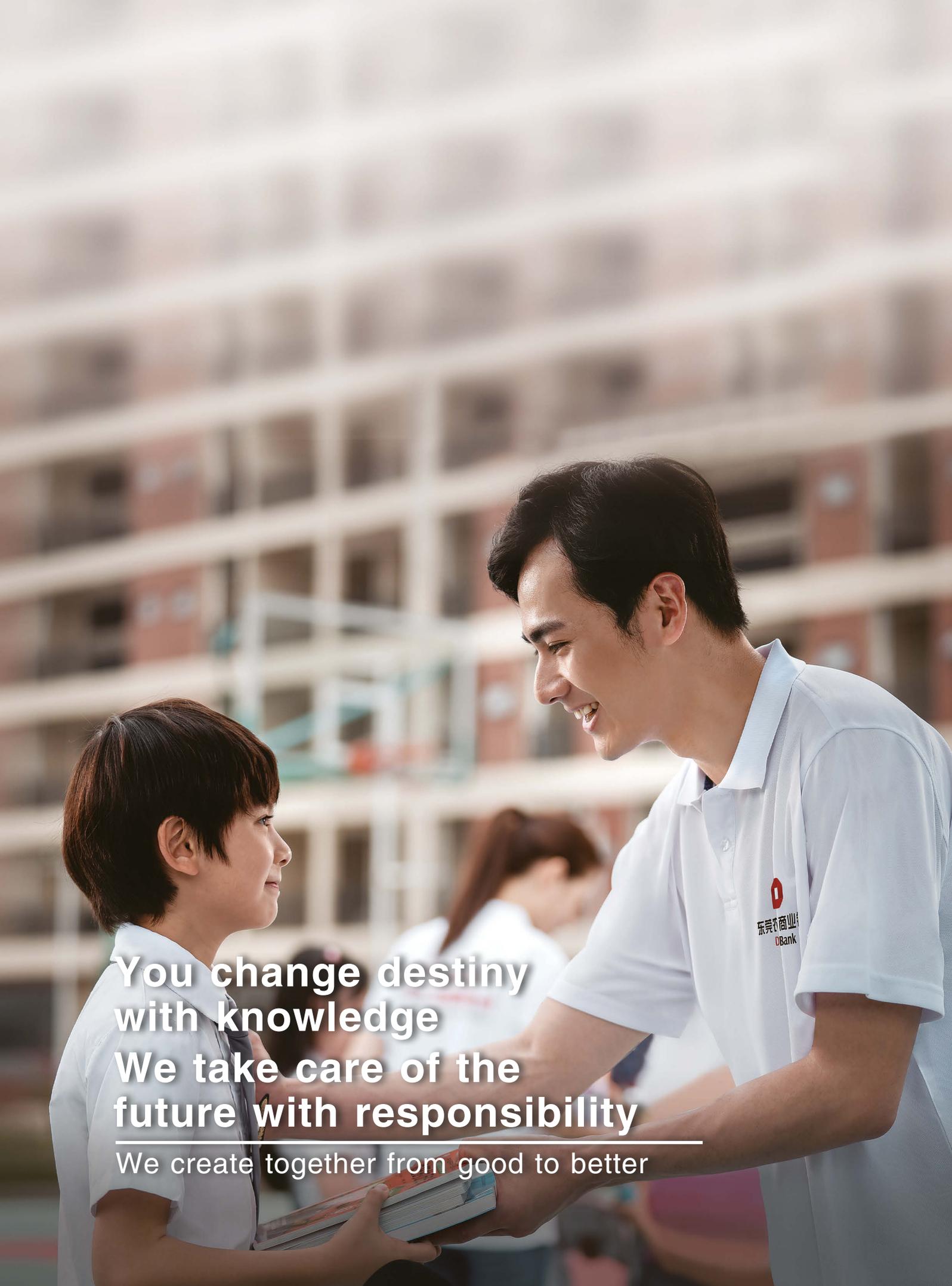
First, the Bank kept an eye on the national strategy for rural revitalization. From a national perspective, rural revitalization is the general requirement for doing a good job in “Sannong” work in the new era. From a regional perspective, rural revitalization is the basis for promoting the construction of “Bay Area City, High-quality Dongguan”. From the Bank’s perspective, rural revitalization is the key to building the core competitiveness. In addition, supporting agriculture, supporting small and micro-sized enterprises and supporting real economy is the purpose of the Bank. In the process of promoting the “Sannong” service work, the Bank has combined the national strategies with the local reality, complied with the changes in the city’s economic and social development and the development trend of information technology, actively explored a “modern Sannong” financial service road with Dongguan characteristics, and deepened and optimized the work of “modern Sannong”. Second, “steady growth” under the premise of “risk prevention”. The Bank implemented the spirit of the meeting of the Political Bureau of the CPC Central Committee and kept the “double bottom line” of stabilizing growth and preventing risks. The Bank has implemented various tasks to unswervingly prevent and resolve major risks, provided a strong guarantee for the construction of Sannong Finance.

(II) Fully Implemented the Rural Revitalization Strategy with Practical Actions

First, the Bank expanded the channels and increased the support for inclusive Sannong Finance. The Bank focused on making good use of the “two re-lending(兩個再貸款)” policy tools, used low-cost policy funds, focused on increasing the credit support for small and micro enterprises and agricultural enterprises. The Bank has comprehensively promoted online and offline inclusive products such as “Overpayment Quick Loans(超抵快貸)”, “Stable Business Loans(穩業貸)”, “Stable Business Cards(穩業卡)”, “Entrepreneurial Loans(創業貸)”, and “Excellent Enterprise Loans(優企貸)” to serve the real economy well. Besides, guided by specific scenarios, the Bank stepped up the promotion of featured loans such as “Seafood Loan(海鮮貸)” and “Tea Loan(茶葉貸)”, which helped the continuous growth of the scale of Sannong loans. Second, the Bank strengthened the upgrade of modern farmer consumption services, continued to expand the customer base of Rural Revitalization Card (鄉村振興信用卡), increased the village-wide credit extension of villagers’ loans, and improved the popularity and coverage of rural revitalization services. The Bank improved the consumption financing services for the modern Sannong customer group, continued to enrich the rights and interests of the Rural Revitalization Card (鄉村振興信用卡), optimized and upgraded the functions of the villager loan product, and improved the effectiveness of the rural revitalization work. For young customers, the Bank plans to issue rural revitalization youth cards to enhance our ability to acquire young customers and optimize the structure of retail customers. Third, the Bank continued to innovate financial services for the Sannong customer group. In the face of fierce market competition, the Bank has provided online and offline financial services, and launched the rural revitalization “Enriching People Loan(富民貸)” to further develop key Sannong customer groups. The Bank has developed “Merchant Loans(商戶貸)” for small and micro enterprises to further serve individual industrial and commercial households and agricultural enterprises; we have also established “Self-operated Housing Mortgage Loans(自營版房抵貸)” to further serve farmers and agricultural enterprises with collateral. Fourth, the Bank closely adhered to the main line of the villagers’ wealth and prosperity, boosted the modern farmers insurance business, and provided personalized advice and planning services for the personal health protection and stable wealth appreciation of Sannong customers. The Bank stepped up the promotion of fund fixed investment and “fixed income +” products, broadening investment channels for Sannong customers; and the Bank promoted the issuance of citizen cards, helping Sannong customers to improve the convenience of their lives.

(III) Accelerated Rural Revitalization with Digitization Engine

First, the Bank empowered the digital economy of Sannong with financial technology. In the face of the new situation and new challenges, the Bank took the initiative to adapt to the new normal of the economy. On the basis of completion of the first three-year development plan for the third transformation, we fully integrated the development requirements of Sannong, and formulated the second three-year development plan for the third transformation. The Bank, by taking advantage of the sci-tech empowerment in full, has launched Sannong financial service applications including D-quick Loan, D+Bank APP, Super APP and Cloud Counter, and promoted the digital transformation and multi-channel integration of offline outlets. Based on electronic channels such as mobile banking, online banking, WeChat official account, and mini programs, the Bank continued to optimize, integrate and upgrade services on different products and pages. In addition, with the industrial financial platform and open banking as the carrier, the Bank introduced non-financial application scenarios such as external life and information, and used innovative systems such as Bank-Campus Connection (銀校通), Park Pass (園區通), and Easy Village Payment(村繳易) to gradually realize the “ecosystem” of financial service products in multiple small scenarios. The Bank has established a big data basic platform and application platform to integrate internal and external data, and has effectively applied online loan risk control, auditing and other aspects, and has accumulated effective practical experience in data management and application. Second, the Bank played the role of digitalization in improving the efficiency of operation and management. Dongguan Rural Commercial Bank has firmly grasped the three main development lines of mobile priority, grid intensive cultivation and industrial breakthrough. We have focused on the implementation and organization of three major measures of talent development, data management and application, and financial technology innovation, in order to promote the completeness, depth and reality of digital transformation. Besides, the Bank organically combined business indicators with the goal of digital transformation of Sannong Finance, and played a key role in performance appraisal. Under the strategic guiding ideology of “running in small steps and winning locally”, the Bank achieved key breakthroughs, made great efforts to explore, and embarked on a road for the development of digital Sannong Finance with our own characteristics.



**You change destiny
with knowledge**

**We take care of the
future with responsibility**

We create together from good to better

■ Chapter VI Changes in Share Capital and Information on Shareholders ■



I. CHANGES IN SHARES

(I) Share Capital

The Bank's H Shares were listed on the Main Board of the Hong Kong Stock Exchange on September 29, 2021 with a total of 1,148,091,000 H Shares issued under the Global Offering, and the total issued shares increased to 6,888,545,510 shares upon completion of the Global Offering. At the end of the Reporting Period, the Bank had a total of 5,740,454,510 domestic shares, representing 83.33% of the total shares (including 1,361,799,326 legal person shares, representing 19.77% of the total shares, 3,895,506,688 natural person shares, representing 56.55% of the total shares, and 483,148,496 employee natural person shares, representing 7.01% of the total shares). All Domestic Shareholders are private enterprises and natural persons. There are 1,148,091,000 overseas listed foreign shares (H shares), representing 16.67% of the total Shares.

(II) Details of Changes in Shares

During the Reporting Period, the changes in the Bank's ordinary Shares are as follows:

	As at December 31, 2020		Increase (decrease) during the Period (Share)	As at December 31, 2021	
	Number (Share)	Percentage %		Number (Share)	Percentage %
Domestic shares	5,740,454,510	100.00	–	5,740,454,510	83.33
Domestic shares held by legal persons	1,361,799,326	23.72	–	1,361,799,326	19.77
Domestic shares held by natural persons	4,378,655,184	76.28	–	4,378,655,184	63.56
Including: Shares held by internal staff members	483,148,496	8.42	–	483,148,496	7.01
Overseas listed foreign shares (H shares)	–	–	1,148,091,000	1,148,091,000	16.67
Total	5,740,454,510	100.00	1,148,091,000	6,888,545,510	100.00

Notes:

- As at the end of the Reporting Period, the total number of Domestic Shareholders was 57,595. All Domestic Shares were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered H Shareholders was 24, of which HKSCC Nominees Limited, as a nominee, held the Shares on behalf of multiple shareholders.
- As at the end of the Reporting Period, 525,394 Domestic Shares were involved in judicial freezing, representing 0.01% of the total Shares.

(III) Issuance and Listing of Securities

The Bank issued 1,148,091,000 H Shares of RMB1.00 each (i.e. an aggregate nominal value of RMB1,148,091,000) at the offer price of HK\$7.92 per H Share under the Global Offering, which became listed on the Main Board of the Hong Kong Stock Exchange since September 29, 2021. After deducting the relevant listing expenses, the net proceeds of the Global Offering are approximately HK\$8,882 million (i.e., net proceed per share of HK\$7.73) which has been used to replenish the Bank's core tier-one capital and thereby strengthening our capital base.

II. SHAREHOLDING STRUCTURE

(I) Number and Shareholdings of Shareholders

As of December 31, 2021, the total number of Shares was approximately 6,889 million Shares, comprising approximately 5,740 million Domestic Shares and approximately 1,148 million overseas listed H Shares. In respect of the 5,740 million Domestic Shares, there were 83 legal person Shareholders holding approximately 1,362 million Domestic Shares, representing 19.77% of the total Shares, all of which are private enterprises; and 57,512 natural person Shareholders holding approximately 4,379 million Domestic Shares, representing 63.56% of the total Shares.

(II) Top Ten Shareholders

As at December 31, 2021, the ten largest shareholders of the Bank together held 30.11% of the Bank's total share capital, with no single holder of Domestic Shares holding more than 5% of the total share capital, indicating a relatively diverse shareholding structure. The largest Domestic Shareholders was Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司), holding 4.34% of the total share capital; the second largest shareholder was Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司), holding 2.18% of the total share capital; and the third largest shareholder was Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司), holding 1.45% of the total share capital. All of these top three Domestic Shareholders are private enterprises.

As at December 31, 2021, shareholdings of the top ten shareholders are as follows:

No.	Name	Class of share	Nature of Shareholder	Number of Shares (Share)	Percentage of issued shares of the Bank ⁽²⁾ (%)
1	HKSCC Nominees Limited ⁽¹⁾	H shares	Other	1,148,046,990	16.67
2	Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)	Domestic shares	Non-state-owned legal person	299,246,910	4.34
3	Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司)	Domestic shares	Non-state-owned legal person	150,104,602	2.18
4	Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司)	Domestic shares	Non-state-owned legal person	99,660,304	1.45
5	Dongguan City Huimei Decoration Engineering Co., Ltd.* (東莞市惠美裝飾工程有限公司)	Domestic shares	Non-state-owned legal person	82,468,873	1.20
6	Dongguan City Haida Industrial Co., Ltd.* (東莞市海達實業有限公司)	Domestic shares	Non-state-owned legal person	74,027,320	1.07
7	Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司)	Domestic shares	Non-state-owned legal person	69,784,524	1.01
8	Dongguan City Jianhua Paper Co., Ltd.* (東莞市建樺紙業股份有限公司)	Domestic shares	Non-state-owned legal person	57,978,360	0.84
9	Dongguan City Fengjing Group Co., Ltd.* (東莞市峰景集團有限公司)	Domestic shares	Non-state-owned legal person	57,978,360	0.84
10	Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司)	Domestic shares	Non-state-owned legal person	35,080,472	0.51
Total				2,074,376,715	30.11

Notes:

- (1) HKSCC Nominees Limited acts as the common nominee for the shares held in the Central Clearing and Settlement System Depository of the Hong Kong Stock Exchange to facilitate trading of the H Shares on the Hong Kong Stock Exchange.
- (2) Based on the number of total issued shares of the Bank of 6,888,545,510 Shares.

(III) Interest and Short Position of Directors and chief executives in the Shares, underlying Shares and debentures of the Bank or any associated corporation

Please refer to the “Interests and Short Positions of Directors, Supervisors and Chief Executives” section in the “Directors, Supervisors, Senior Management, Employees and Branches” chapter.

(IV) Shareholding of staff members

As at December 31, 2021, the Bank had a total of 3,022 internal staff member Shareholders, holding 483 million Shares (excluding H shares), which accounted for 7.01% of the total Shares.

(V) Interests and Short Positions of Substantial Shareholders and Other Persons under Hong Kong Laws and Regulations

As at December 31, 2021, according to the register kept by the Bank pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities, other than a Director or chief executive of the Bank, had an interest or short position in the Shares and underlying Shares and debentures of the Bank which would fall to be disclosed to the Bank and Hong Kong Stock Exchange under the provisions of divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Class of Share	Number of Shares ⁽¹⁾ (share)	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of interest in the Bank (%)
Mr. Guo Huiqiang	Interest in controlled corporation ⁽²⁾	Domestic Shares	299,247,910(L)	5.21	4.34
Ms. Yang Miaoxia	Interest of spouse ⁽³⁾	Domestic Shares	299,247,910(L)	5.21	4.34
Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)	Beneficial owner	Domestic Shares	299,246,910(L)	5.21	4.34
	Interest in controlled corporation ⁽⁴⁾	Domestic Shares	1,000(L)		
Caitong Securities Co., Ltd.* (財通證券股份有限公司)	Interest in controlled corporation ⁽⁵⁾	H Share	178,311,000(L)	15.53	2.59
Caitong Fund Management Co., Ltd.* (財通基金管理有限公司)	Other ⁽⁶⁾	H Share	178,311,000(L)	15.53	2.59
Yam Tak Cheung	Interest in controlled corporation ⁽⁷⁾	H Share	149,100,000(L)	12.99	2.16
Scoperto Limited	Beneficial Owner	H Share	149,100,000(L)	12.99	2.16
State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan (東莞市人民政府國有資產監督管理委員會)	Interest in controlled corporation ⁽⁸⁾	H Share	126,262,000(L)	11.00	1.83
Dongguan City Transportation Investment Group Co., Ltd.* (東莞市交通投資集團有限公司)	Interest in controlled corporation ⁽⁸⁾	H Share	126,262,000(L)	11.00	1.83
Dongguan City Fook Man Group Company* (東莞市福民集團公司)	Interest in controlled corporation ⁽⁸⁾	H Share	126,262,000(L)	11.00	1.83
Fook Man Development Company Limited	Beneficial Owner	H Share	126,262,000(L)	11.00	1.83
Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司)	Beneficial Owner	H Share	103,874,000(L)	9.05	1.51

Notes:

1. The letter “L” denotes long position.
2. According to the information provided by Mr. Guo Huiqiang, the entire shareholding interest of Guangdong Canvest Investment Co., Ltd.* (“Canvest Investment”) was held by Mr. Guo Huiqiang. Accordingly, Mr. Guo Huiqiang is deemed to be interested in all the Shares that Canvest Investment interested in under the SFO.
3. Ms. Yang Miaoxia is the spouse of Mr. Guo Huiqiang. Accordingly, Ms. Yang is deemed to be interested in all the Shares that Mr. Guo is interested in under the SFO.
4. According to the information provided by Canvest Investment, Canvest Investment is also interested in 1,000 Domestic Shares held by its 90% owned subsidiary, Guangdong Canvest Environmental Investment Co., Ltd.* (廣東粵豐環保投資有限公司).
5. According to the information provided by Caitong Securities Co., Ltd. (“Caitong Securities”), Caitong Securities has 40% control over Caitong Fund Management Co., Ltd.* (“Caitong Fund Management”). Accordingly, Caitong Securities was deemed to be interested in the interest held by Caitong Fund Management.
6. According to the information provided by Caitong Fund Management, Caitong Fund Management is the asset manager of ten asset management plans and held the H Shares under such Qualified Domestic Institutional Investor (QDII) asset management plans to implement the investment plan of its client.
7. According to the information provided by Yam Tak Cheung, Yam Tak Cheung has 100% control over Scoperto Limited. Accordingly, Yam Tak Cheung was deemed to be interested in the interest held by Scoperto Limited.
8. According to the information provided by the State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan, Fook Man Development Company Limited is wholly-owned by Dongguan City Fook Man Group Company*, which in turn is wholly owned by Dongguan City Transportation Investment Group Co., Ltd.*, a company wholly-owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan. Accordingly, each of State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan, Dongguan City Transportation Investment Group Co., Ltd.* and Dongguan City Fook Man Group Company* is deemed to be interest in all the Shares held by Fook Man Development Company Limited.

(VI) Substantial Shareholders under the Interim Measures for Equity Management of Commercial Banks

According to the Interim Measures for Equity Management of Commercial Banks promulgated by the CBRC, a substantial shareholder of a commercial bank refers to a shareholder who holds or controls more than 5% of the shares or voting rights of a commercial bank, or a shareholder who holds less than 5% of the total capital or total shares but has a significant impact on the operation and management of the commercial bank. The aforementioned significant influence includes, but not limited to, dispatching directors, supervisors or senior management personnel to commercial banks, influencing the financial and operational management decisions of commercial banks through agreements or other means, and other circumstances recognized by the CBIRC or its local offices.

1. Shareholders who hold 5% or above of the shares of the Bank

As at December 31, 2021, other than HKSCC Nominees Limited, the Bank had no shareholder holding 5% or above of the Shares of the Bank.

2. Other substantial Shareholders within the regulatory definition

(1) Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)

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

The controlling shareholder of Guangdong Canvest Investment Co., Ltd. is Guo Huiqiang. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. As at the end of the Reporting Period, Guangdong Canvest Investment Co., Ltd. and its related parties held a total of 304,097,853 Shares of the Bank, accounting for 4.41% of the total shares. The related parties of Guangdong Canvest Investment Co., Ltd. include Canvest Environmental Protection Investment Limited (廣東粵豐環保投資有限公司), Dongguan San Yang Industrial Development Co., Ltd. (東莞市三陽實業發展有限公司), Dongguan Zhuorui Industrial Investment Co., Ltd. (東莞市卓瑞實業投資有限公司), Lai Chun Tung (黎俊東) and others; among them, there is related relationship between the Bank's Director Lai Chun Tung and the company. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Guangdong Canvest Investment Co., Ltd. and its related parties was RMB2,226,049,400, and there were no non-credit related transactions. During the Reporting Period, Guangdong Canvest Investment Co., Ltd. and its related parties did not pledge their equities in the Bank.

(2) Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司)

Dongguan City Kanghua Investment Group Co., Ltd. was established on March 29, 2002, its legal representative is Wang Junyang (王君揚), its registered capital is RMB268.88 million, and its business scope includes: corporate management consulting, investment in various infrastructure construction projects, domestic commerce and material supply and marketing (excluding state-controlled and franchised projects), investment in medical projects (excluding operations), investment in educational projects, property leasing and property management.

The controlling shareholder of Dongguan City Kanghua Investment Group Co., Ltd. is Wang Junyang. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties held a total of 235,617,572 Shares of the Bank, accounting for 3.42% of the total shares. The related parties of Dongguan City Kanghua Investment Group Co., Ltd. includes Dongguan City Xingye Group Co., Ltd. (東莞市興業集團有限公司), Dongguan City Xingda Property Investment Co., Ltd. (東莞市興達物業投資有限公司), Dongguan Dazhong Industrial Co., Ltd. (東莞市大中實業有限公司) and others; among them, there is related relationship between the Bank's Director Wang Junyang and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Kanghua Investment Group Co., Ltd. and its related parties was RMB4,702,543,500, and there were no non-credit related transactions. During the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

(3) Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司)

Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. was established on June 30, 2004, its legal representative is Cai Hanzhen (蔡漢珍), its registered capital is RMB6 million, and its business scope includes: wholesale, retail, pre-packaged food, bulk food, operation and management of grain and feed wholesale market in Zhangmutou, wholesale and retail, general cargo storage, loading and unloading services.

The controlling shareholder of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. is Cai Hanzhen. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. As at the end of the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties held a total of 106,062,178 Shares of the Bank, accounting for 1.54% of the total shares. The related parties of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. includes Dongguan Leading Industry Co., Ltd., Cai Guowei (蔡國偉) and others; among them, there is related relationship between the Bank's Director Cai Guowei and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties was RMB352,629,100, and there were no non-credit related transactions. During the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties did not pledge their equities in the Bank.

(4) Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司)

Guangdong Haide Group Co., Ltd. was established on July 28, 2000, its legal representative is Ye Jinqun (葉錦泉), its registered capital is RMB200,000,000, and its business scope includes: industrial investment, engineering bidding agency services, building intelligent engineering, decoration design and engineering construction, production of hardware products, landscaping engineering, sales of building materials and decoration materials (excluding hazardous chemicals) and real estate development (operating with valid qualification certificates).

The controlling shareholder of Guangdong Haide Group Co., Ltd. is Ye Jinqun. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. As at the end of the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties held a total of 116,333,556 Shares of the Bank, accounting for 1.69% of the total shares. The related parties of Guangdong Haide Group Co., Ltd. includes Dongguan City Commercial Center Development Co., Ltd. (東莞市商業中心發展有限公司), Ye Jinqun and others; among them, there is related relationship between the Bank's Director Ye Jinqun and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Guangdong Haide Group Co., Ltd. and its related parties was RMB2,206,836,300, and there were no non-credit related transactions. During the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

(5) Dongguan Hongyuan Hotel Co., Ltd.* (東莞市宏遠酒店有限公司)

Dongguan Hongyuan Hotel Co., Ltd. was established on June 22, 2000, its legal representative is Chen Jiangtao (陳江濤), its registered capital is RMB10,000,000, and its business scope includes: catering services, tourism, karaoke, ballroom, hairdressing service, cigarette retail and beauty service (excluding medical beauty).

The controlling shareholder of Dongguan Hongyuan Hotel Co., Ltd. (東莞市宏遠酒店有限公司) is Chen Jiangtao. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties held a total of 32,845,106 Shares of the Bank, accounting for 0.48% of the total shares. The related parties of Dongguan Hongyuan Hotel Co., Ltd. includes Dongguan Yingjun Industrial Investment Co., Ltd. (東莞市盈君實業投資有限公司) and Chen Haitao (陳海濤), and others; among them, there is related relationship between the Bank's Director Chen Haitao and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Hongyuan Hotel Co., Ltd. and its related parties was RMB2,238,591,700; non-credit related transactions during the Reporting Period amounted to RMB4,992,800. During the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties did not pledge their equities in the Bank.

(6) Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd.* (東莞市點石五金電器有限公司)

Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. was established on June 29, 2011. Its legal representative is Fang Guiping (方桂萍) and its registered capital is RMB10,000,000. Its business scope includes: sales of hardware, electrical appliances, wood products, building materials, decoration materials (excluding hazardous chemicals), daily necessities and electronic products.

The shareholders of Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. are Fang Guiping (方桂萍) and Li Zhihui (李智慧), each holding 50% of the shares, respectively. There is no actual controller party acting in concert and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. and its related parties held a total of 15,624,397 Shares of the Bank, accounting for 0.23% of the total shares. The related parties of Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. includes Zhang Qingxiang (張慶祥), Li Zhihui (李智慧), and others; among them, there is related relationship between the Bank's Director Zhang Qingxiang (張慶祥) and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. and its related parties was RMB3,833,439,500, and there were no non-credit related transactions. During the Reporting Period, Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. and its related parties did not pledge their equities in the Bank.

(7) Dongguan City Xingye Knitting Co., Ltd.* (東莞市興業針織有限公司)

Dongguan City Xingye Knitting Co., Ltd. was established on May 28, 1995. Its legal representative is Fu Wanxia (傅婉霞) and its registered capital is RMB50,000,000. Its business scope includes: production of knitted garments, knitwear, bedding, sweater printing, and sales of raw materials for knitwear.

The controlling shareholder of Dongguan City Xingye Knitting Co., Ltd. is Chen Xipei (陳錫培). There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties held a total of 38,889,897 Shares in the Bank, accounting for 0.56% of the total shares. The related parties of Dongguan City Xingye Knitting Co., Ltd. (東莞市興業針織有限公司) includes Chen Xipei (陳錫培), Chen Weiliang (陳偉良) and others; among them, there is related relationship between the Bank's Director Chen Weiliang and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Xingye Knitting Co., Ltd. and its related parties was RMB402,972,800, and there were no non-credit related transactions. During the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties did not pledge their equities in the Bank.

(8) Dongguan Shenzhou Industrial Development Co., Ltd.* (東莞市神洲實業開發有限公司)

Dongguan Shenzhou Industrial Development Co., Ltd. was established on July 30, 1996, its legal representative is Lu Chaoping (盧超平), its registered capital is RMB6,000,000, and its business scope includes: industrial investment, property leasing; sales of fashion, decorative materials, building materials, daily necessities, textiles, electronic products, and hardware.

The controlling shareholder of Dongguan Shenzhou Industrial Development Co., Ltd. is Lu Chaoping (盧超平). There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. held a total of 6,442,040 Shares in the Bank, accounting for 0.09% of the total shares, and there were no other related parties holding Shares. There is related relationship between the Bank's Supervisor Lu Chaoping and Dongguan Shenzhou Industrial Development Co., Ltd. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties was RMB115,059,400, and there were no non-credit related transactions. During the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties did not pledge their equities in the Bank.

(9) Dongguan City Royal Garden Hotel Co., Ltd.* (東莞市帝豪花園酒店有限公司)

Dongguan City Royal Garden Hotel Co., Ltd. was established on February 13, 2003, its legal representative is Chen Guangde (陳廣德), its registered capital is RMB60,875,000, and its business scope includes: tourism, catering services, swimming pools, retail of department stores, handicrafts, cigarettes, cigars, pre-packaged food, bulk food, reception of theatrical performances, hotel management consultants and property investment consulting.

Dongguan City Royal Garden Hotel Co., Ltd. is held 50% by Peng Runzhi (彭潤枝) and Liang Yongxiong (梁永雄), respectively. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties held a total of 34,625,965 Shares in the Bank, accounting for 0.50% of the total shares. The related parties of Dongguan City Royal Garden Hotel Co., Ltd. includes Liang Peiguang (梁沛光), Liang Jiepeng (梁傑鵬) and others, among them, there is related relationship between the Bank's Supervisor Liang Jiepeng (梁傑鵬) and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Royal Garden Hotel Co., Ltd. and its related parties was RMB355,799,900, and there were no non-credit related transactions. During the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties did not pledge their equities in the Bank.

(VII) Information on Controlling Shareholders and Actual Controllers

During the Reporting Period, there is no individual Shareholder together with its related parties holding more than 10% of the Shares. Any individual Shareholder and its related parties cannot control the general meeting of Shareholders and the Board of Directors. Therefore, there is no controlling Shareholder and actual controller of the Bank.

(VIII) Pledge and Freezing of Shares

As of the end of the Reporting Period, none of the Shareholders holding equal to or more than 5% of the total Shares had pledged their Shares or had their Shares frozen.

As at the end of the Reporting Period, there was no Shareholder pledged the Shares held by them, and no Shareholder pledged their Shares to the Bank. 525,394 Shares were judicially frozen, accounting for less than 0.01% of the total Shares of the Bank.

According to Article 43 of the Articles of Association of the Bank, if the equities of the Bank pledged by the Shareholder reaches or exceeds 50% of the equities of the Bank held by such Shareholder, such Shareholder's voting right in general meeting and the voting right of the Director nominated by such Shareholder on Board of Director meeting shall be restricted. During the Reporting Period, there was no relevant circumstance that caused the Bank to restrict the voting rights of relevant Shares in general meetings or board meetings.

(IX) Sufficiency of Public Float Adequacy

The Bank has applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules pursuant to which the minimum public float of our Shares shall be 16.67%.

Based on publicly available information and to the best knowledge of the Directors, at least 16.67% of the issued Shares of the Bank has been held by the public since the Listing Date up to the end of the Reporting Period and thereafter up to the date of this report, in compliance with the requirements under the Listing Rules as modified by the aforementioned waiver.

(X) Purchase, Sale or Redemption of the Banks's Listed Securities

Save for the 1,148,091,000 H Shares offered under the Global Offering, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any of the Bank's listed securities during the Reporting Period.



Listen carefully to every voice

If the world does not understand you,
I will listen

- **Chapter VII
Directors,
Supervisors,
Senior
Management,
Employees and
Branches**



I. BASIC INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND MEMBERS OF THE PARTY COMMITTEE

(I) Basic Information

Name	Gender	Date of birth	Position	Term of office ⁽¹⁾	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period (Shares)
Wang Yaoqiu	Male	April 1968	Secretary to the Party Committee Chairman of the Board of Directors Executive Director	April 2016 – present January 2017 – present September 2016 – present	Domestic Shares	401,210	–	401,210
Fu Qiang	Male	July 1970	Deputy secretary to the Party Committee Executive Director President	November 2018 – present July 2019 – present July 2019 – present	Domestic Shares	500,000	–	500,000
Ye Jianguang	Male	October 1972	Member of the Party Committee Executive Director Vice President Chief Risk Officer Secretary to the Board of Directors Joint company secretary	August 2016 – present March 2019 – present December 2017 – present March 2019 – present May 2021 – present April 2021 – present	Domestic Shares	500,000	–	500,000
Chen Wei	Male	April 1972	Member of the Party Committee Executive Director Vice President	August 2016- present December 2019 – present October 2018 – present	Domestic Shares	113,907	–	113,907
Lai Chun Tung	Male	October 1974	Non-executive Director	December 2009 – present	Domestic Shares	1,156,825	–	1,156,825
Wang Junyang	Male	November 1982	Non-executive Director	November 2016 – present	–	–	–	–
Cai Guowei	Male	August 1962	Non-executive Director	December 2009 – present	Domestic Shares	2,281,622	–	2,281,622
Ye Jinquan	Male	June 1970	Non-executive Director	June 2018 – present	Domestic Shares	9,663,060	–	9,663,060
Chen Haitao	Male	September 1967	Non-executive Director	March 2012 – present	Domestic Shares	350,000	–	350,000
Zhang Qingxiang	Male	November 1985	Non-executive Director	December 2019 – present	Domestic Shares	2,021,371	–	2,021,371
Chen Weiliang	Male	September 1984	Non-executive Director	December 2019 – present	Domestic Shares	6,000	–	6,000
Yip Tai Him	Male	August 1970	Independent non-executive Director	March 2019 – present	–	–	–	–
Xu Zhi	Male	June 1972	Independent non-executive Director	December 2019 – present	–	–	–	–
Shi Wenfeng	Male	February 1978	Independent non-executive Director	December 2019 – present	–	–	–	–
Tan Fulong	Male	June 1973	Independent non-executive Director	December 2019 – present	–	–	–	–
Liu Yuou	Female	August 1971	Independent non-executive Director	December 2019 – present	–	–	–	–
Xu Tingting	Female	June 1983	Independent non-executive Director	December 2019 – present	–	–	–	–
Chen Sheng	Male	September 1974	Member of the Party Committee Chairman of the Board of Supervisors Employee Supervisor	August 2018 – present September 2018 – present September 2018 – present	Domestic Shares	32,210	–	32,210

Name	Gender	Date of birth	Position	Term of office ⁽¹⁾	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period (Shares)
Deng Yanwen	Female	January 1972	Employee Supervisor	October 2019 – present	Domestic Shares	335,412	–	335,412
Wu Lixin	Male	June 1969	Employee Supervisor	October 2019 – present	Domestic Shares	335,412	–	335,412
Liang Zhifeng	Male	October 1973	Employee Supervisor	October 2019 – present	–	–	–	–
Lu Chaoping	Male	February 1964	Shareholder Supervisor	December 2009 – present	–	–	–	–
Wang Zhujin	Male	March 1964	Shareholder Supervisor	October 2019 – present	Domestic Shares	500,000	–	500,000
Liang Jiepeng	Male	December 1984	Shareholder Supervisor	October 2019 – present	Domestic Shares	2,254,714	–	2,254,714
Zou Zhibiao	Male	October 1989	Shareholder Supervisor	October 2019 – present	Domestic Shares	32,210	–	32,210
Wei Haiying	Female	December 1963	External Supervisor	October 2019 – present	–	–	–	–
Yang Biao	Male	January 1980	External Supervisor	October 2019 – present	–	–	–	–
Zhang Bangyong	Male	February 1979	External Supervisor	October 2019 – present	–	–	–	–
Mai Xiuhua	Female	January 1971	External Supervisor	October 2019 – present	–	–	–	–
Qian Hua	Male	September 1973	Member of the Party Committee	November 2018 – present	Domestic Shares	322,202	–	322,202
			Secretary to the Disciplinary Committee	November 2018 – present				
Chen Dongmei	Female	November 1971	Member of the Party Committee	September 2016 – present	Domestic Shares	420,035	–	420,035
			Vice President	December 2017 – present				
			Chief Information Officer	April 2019 – present				

Note:

- (1) The appointment dates of Directors and senior management members stated herein represent the dates on which the relevant qualifications are approved by the CBIRC (or its predecessor). The appointment dates of Supervisors refer to the dates on which his/her appointment was approved at the shareholders' general meeting or the employee representative meeting.

(II) Biographies of Directors, Supervisors, Senior Management and members of the Party Committee

1. Directors

Mr. Wang Yaoqiu (王耀球先生), is the secretary to the party committee, an executive Director and the chairman of our Board of Directors. Mr. Wang had held various positions with the Dongguan Branch of Bank of China Limited from June 1989 to August 2003, including manager of retail department at branch, president of the Humen sub-branch and vice president of the Dongguan branch successively. Mr. Wang was the head of the preparatory group for the establishment of the Dongguan branch of China Merchants Bank Co., Ltd. (“China Merchants Bank”) from August 2003 to May 2004, president and secretary to the party committee of the Dongguan branch of China Merchants Bank from May 2004 to December 2010 and June 2004 to December 2010, respectively, secretary to the party committee of the Guangzhou branch of China Merchants Bank from December 2010 to April 2011, secretary to the party committee and president of the Guangzhou branch of China Merchants Bank from April 2011 to October 2015, and secretary to the party committee and president (business director level) of the Guangzhou branch of China Merchants Bank from October 2015 to April 2016. Mr. Wang joined our Bank in April 2016 and has subsequently been appointed as the secretary to the party committee, our executive Director and the chairman of our Board of Directors. In addition, Mr. Wang has been serving as a council member of the fourth and fifth sessions of the Council of Guangdong Province Rural Credit Cooperatives Association* (廣東省農村信用社聯合社) since December 2017, and has been serving as the member of 14th standing committee of the Dongguan Committee of Chinese People’s Political Consultative Conference (中國人民政治協商會議第十四屆東莞市委員會) since December 2021, and has been serving as a standing member of the 14th standing committee of the Dongguan Committee of the Chinese People’s Political Consultative Conference since January 2022.

Mr. Fu Qiang (傅強先生), is a deputy secretary to the party committee, an executive Director and president of our Bank. Mr. Fu had served in various positions with the Guangdong branch of the SAFE and the Guangdong provincial branch of PBoC from July 1991 to October 2018, including the deputy head and head of the party committee office of the Guangdong provincial branch of PBoC from February 1995 to October 1997, head of the audit and supervision department and a full-time secretary of the league committee of the Guangdong provincial branch of PBoC from October 1997 to January 1999, head of the banking regulatory office (1st division) of the Guangzhou branch of PBoC from January 1999 to April 1999, deputy director of the department of civic affairs of the league committee and the secretary to the league committee of the Guangzhou branch of PBoC from April 1999 to December 2001; and the deputy secretary of the league committee of the Guangzhou branch of PBoC from December 2001 to March 2004. Mr. Fu served as a director of the Guangzhou branch of China Foreign Exchange Trade System (中國外匯交易中心) from March 2004 to August 2005, a secretary to the party committee, president of the Zhaoqing central sub-branch of PBoC and the director of the Zhaoqing sub-branch of the SAFE from August 2005 to March 2009, a director of the payment and settlement department of the Guangzhou branch of PBoC from March 2009 to February 2011, and a deputy director of the operation and management department (director level) of the Guangzhou branch of PBoC from February 2011 to February 2017. During the period above, Mr. Fu also served as a member of the standing committee of the prefecture committee and the vice governor of Gannan Prefecture of Gansu Province from October 2014 to November 2016. Mr. Fu acted as the deputy inspector at the Guangzhou branch of PBoC (deputy bureau level) from February 2017 to October 2018. Mr. Fu joined our Bank in November 2018 and has subsequently been appointed as the deputy secretary to the party committee, an executive Director and our president.

Mr. Ye Jianguang (葉建光先生), is a member of the party committee, an executive Director, a vice president, the chief risk officer, secretary to the Board of Directors and joint company secretary of our Bank. From July 1994 to October 2006, Mr. Ye had held various positions at Dongguan Rural Credit Cooperatives Association* (東莞農村信用合作社聯合社), the predecessor of our Bank, including the deputy supervisor of the fund planning and loan department, assistant manager of the customers relationship department (in charge of general operation), manager of the marketing department and manager of the international banking department. From October 2006 to March 2010, Mr. Ye served as the manager of the corporate business department of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作社), the predecessor of our Bank. He successively served as the general manager of the corporate business department, assistant president of the head office and president of Houjie sub-branch of our Bank from March 2010 to December 2014, the general manager of the fund management department of Guangdong Province Rural Credit Cooperatives Association* (廣東省農村信用合作社聯合社) from December 2014 to August 2016. Mr. Ye rejoined our Bank in August 2016 and has subsequently been appointed as a member of the party committee, the vice president, an executive Director, the chief risk officer, secretary to the Board of Directors and joint company secretary of our Bank.

Mr. Chen Wei (陳偉先生), is a member of the party committee, an executive Director and a vice president of our Bank. Mr. Chen held various positions at Dongguan Rural Credit Cooperatives Association* (東莞農村信用合作社聯合社) and Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作社), the predecessor of our Bank, from July 1996 to January 2010, including deputy chief of Zhongtang Credit Union* (中堂信用社), the deputy chief of Xiegang Credit Union* (謝崗信用社) (in charge of general operation) and subsequently between January 2010 and March 2016 served as the vice president (in charge of general operation) and president of the Xiegang sub-branch and the president of the central sub-branch of our Bank and has been assigned as the deputy secretary to the party committee and a director of Xuwen County Rural Credit Cooperative Union* (徐聞縣農村信用合作社) between March 2015 and March 2016. Mr. Chen served as the deputy general manager of the innovative development department of Guangdong Province Rural Credit Cooperatives Association* (廣東省農村信用合作社聯合社) from March 2016 to August 2016. Mr. Chen rejoined our Bank in August 2016 and has subsequently been appointed as a member of the party committee, the vice president and an executive Director of our Bank. Furthermore, Mr. Chen has served as the chairman of Dongguan City Rural Commercial Bank Education Charity Foundation* (東莞市農商銀行教育公益基金會) since September 2019.

Mr. Lai Chun Tung (黎俊東先生), is a non-executive Director of the Bank. He was a member of the Council of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessor of our Bank, from November 2005 to December 2009. Mr. Lai has served as an executive director and manager of Dongguan San Yang Industrial Development Co., Ltd.* (東莞市三陽實業發展有限公司) since September 1997. He has served as the legal representative, chairman and general manager of Dongguan Eco-Tech Environmental Power Company Limited* (東莞市科偉環保電力有限公司) since August 2007. Furthermore, Mr. Lai has also served as a director of Canvest Kewei Environmental Investment (Guangdong) Company Limited* (粵豐科維環保投資(廣東)有限公司) (formerly known as Dongguan Kewei Environmental Power Company Limited* (東莞市科維環保電力有限公司)) and Zhanjiang Canvest Environmental Power Company Limited* (湛江市粵豐環保電力有限公司) since February 2009 and April 2013, respectively. Mr. Lai has been appointed as an executive director of Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司) (1381.HK) since September 2014 and is responsible for the overall strategy and major decision of its business operation. Dongguan Eco-Tech Environmental Power Company Limited, Dongguan Kewei Environmental Power Company Limited and Zhanjiang Canvest Environmental Power Company Limited are subsidiaries of Canvest Environmental Protection Group Company Limited. Mr. Lai is also a controlling shareholder of Canvest Environmental Protection Group Company Limited. Mr. Lai has served as the legal representative, executive director and manager of Canvest Yuezhan Environmental Investment (Guangdong) Company Limited* (粵豐粵展環保投資(廣東)有限公司) since February 2017, has served as a director of the first session of the board of directors of Dongguan Investment Group Co., Ltd.* (東莞民營投資集團有限公司) between August 2017 and January 2021 and has served as the legal representative, chairman and general manager of Canvest Keying Intelligence Investment (Guangdong) Co., Ltd* (粵豐科盈智能投資(廣東)有限公司) since September 2020. In addition, Mr. Lai was a member of the 10th, 11th and 12th Chinese People's Political Consultative Conference of Guangdong Province (中國人民政治協商會議廣東省委員會), a member of the 11th Dongguan Communist Committee of Guangdong Province (廣東省東莞市委員會) and a member of the 12th and 13th standing committee of the Dongguan Committee of Chinese People's Political Consultative of Guangdong Province (中國人民政治協商會議廣東省東莞市委員會) (resigned from such standing committee position in January 2019).

Mr. Wang Junyang (王君揚先生), is a non-executive Director of the Bank. Mr. Wang joined Dongguan Kanghua Hospital Co., Ltd. (東莞康華醫院有限公司) in August 2007 and has held various positions since then, including an assistant to the general manager responsible for hospital operations from August 2007 to July 2009, manager of the business department responsible for business development from August 2009 to November 2012, and a vice general manager of the business department responsible for business management and overall strategic development of the hospital since December 2012. From August 2007 and December 2008, Mr. Wang served as a director and the general manager of Dongguan Kanghua Group Co., Ltd. (東莞市康華投資集團有限公司) and Dongguan Xingye Group Co., Ltd. (東莞市興業集團有限公司), responsible for business management and overall strategic development, respectively. In addition, Mr. Wang has been appointed as an executive director and the chairman of Guangdong Kanghua Healthcare Co., Ltd.* (廣東康華醫療股份有限公司) (3689.HK), the holding company of Dongguan Kanghua Hospital Co., Ltd., in December 2015.

Mr. Cai Guowei (蔡國偉先生), is a non-executive Director of the Bank. He was a member of the Council of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessor of our Bank, from November 2005 to December 2009. Mr. Cai was the chairman of Dongguan City Zhangmutou Railway Cargo and Storage Service Station* (東莞市樟木頭鐵路貨物儲運服務站) from January 1985 to March 2003 and the managing director of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司) from January 2004 to December 2009. In addition, Mr. Cai has been the chairman of China Harbour Investment Limited* (中國港投資有限公司) since February 1994 and vice chairman of Dongguan Shenzhen Energy Zhangyang Electric Power Co., Ltd.* (東莞深能源樟洋電力有限公司) since August 2003.

Mr. Ye Jinquan (葉錦泉先生), is a non-executive Director of the Bank. Mr. Ye was a salesman of Dongguan Electrochemical and Industrial Co., Ltd.* (東莞電化實業有限公司) from July 1987 to October 1993 and was the general manager of Dongguan Wanjiang Mingxing Decoration Co., Ltd.* (東莞市萬江明興裝飾有限公司) from October 1993 to April 2002. He was the chairman of Dongguan Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司) from August 2002 to January 2013. Since January 2013, Mr. Ye has been the legal representative of Guangdong Haide Group Limited* (廣東海德集團有限公司).

Mr. Chen Haitao (陳海濤先生), is a non-executive Director of the Bank. From April 1988 to March 1998, Mr. Chen was the general manager of Dongguan Zhenxiang Industry and Trade Development Co., Ltd.* (東莞市振興工貿發展有限公司) and was responsible for the operation management of the company. Since March 1998, Mr. Chen has served as a director and later as managing director, and has been the chairman of Guangdong Hongyuan Group Co., Ltd.* (廣東宏遠集團有限公司) since February 2018. Mr. Chen has also been a director of Dongguan Minying Group Co., Ltd.* (東莞市民盈集團股份有限公司) and CBA League (Beijing) Sports Co., Ltd.* (中籃聯(北京)體育有限公司) since January 2016 and October 2016, respectively.

Mr. Zhang Qingxiang (張慶祥先生), is a non-executive Director of the Bank. From July 2008 to July 2009, Mr. Zhang was an assistant to the chairman of Dongguan Yuxinguo Industrial Investment Co., Ltd.* (東莞市裕欣國實業投資有限公司). Since August 2009, Mr. Zhang became the chairman of Dongguan Yuxinguo Industrial Investment Co., Ltd.* (東莞市裕欣國實業投資有限公司) and the chairman and managing director of Guangdong Yuxinguo Construction Engineering Limited* (廣東裕欣國建築工程有限公司). In addition, Mr. Zhang had been the vice chairman of the second session of the committee of Guangdong Federation of Young Entrepreneurs (廣東省青年企業家聯合會) and a member of the 13th and 14th standing committee of the Dongguan Committee of the Chinese People's Political Consultative Conference of Guangdong Province (中國人民政治協商會議廣東省東莞市委員會), an executive committee of the 12th session of the committee of Guangdong Federation of Industry and Commerce (general chamber of commerce) (廣東省工商業聯合會(總商會)), a deputy chairman of Dongguan Federation of Industry and Commerce (general chamber of commerce) (東莞市工商業聯合會(總商會)), a standing director of the first session of the committee of the Dongguan Association of International Entrepreneurs (世界莞商聯合會), an honorary director of the Standing Committee of Young Entrepreneurs of Dongguan Association of International Entrepreneurs (東莞世界莞商聯合會青年工作委員會) and the chairman of the first session of the board of supervisors of Dongguan Young Entrepreneurs Federation (東莞市青年企業家聯合會).

Mr. Chen Weiliang (陳偉良先生), is a non-executive Director of the Bank. From December 2010 to June 2013, Mr. Chen worked at the business and trust management department of Dongguan Trust Co., Ltd.* (東莞信託有限公司). Mr. Chen has served as the general manager of Dongguan Guanshang Industry and Investment Co., Ltd.* (東莞市莞商實業投資有限公司) since June 2013, the deputy general manager of Dongguan Shenshi Industry and Investment Co., Ltd.* (東莞市聖興實業投資有限公司) from August 2013, the general manager of Hangzhou Lingteng Internet and Technology Limited (Dongguan Branch)* (杭州領騰互聯網科技有限公司東莞分公司) between November 2017 and December 2020 and the director of Dongguan Zhaofeng Environment and Protection Co., Ltd.* (東莞市兆豐環保股份有限公司) (872140.NEEQ) from January 2019. Mr. Chen has served as a supervisor of the third session of the board of supervisors of Yunfu Xinxing Dongying County Bank*, our non-wholly owned subsidiary, since April 2019. Mr. Chen is a standing director of the second session of the committee of the Dongguan Association of International Entrepreneurs (東莞世界莞商聯合會), the vice president of the third session of the committee of the Dongguan Overseas Scholars Association (東莞市僑聯歸國留學人員聯誼會), the vice chairman of the first session of the committee of Dongguan Federation of Young Entrepreneurs (東莞市青年企業家聯合會), the vice chairman of the standing committee of Dongguan Songshan Federation of Entrepreneurs (東莞松山湖莞商聯合會), the honorary chairman of the third session of the committee of Dongguan Dalang Association of e-Commerce Operators (東莞市大朗電子商務協會) and the vice president of the fourth session of the committee of Association of Industry and Commerce of Dalang Town of Dongguan (東莞市大朗鎮工商聯(商會)) .

Mr. Yip Tai Him (葉棣謙先生), is an independent non-executive Director of the Bank. Mr. Yip has over 25 years of experience in accounting, auditing and financial management. He is currently the director of Qing Lan C.P.A. Limited. Mr. Yip was the chief financial officer and director of Quam Securities Company Limited from November 1999 to December 2002. Mr. Yip is currently or has been an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange for the last three years: Shentong Robot Education Group Company Limited (8206.HK) (formerly known as China Communication Telecom Services Company Limited, Shenzhen Aomei Networks (International) Co., Ltd., GCL-Poly Energy Holdings Limited (3800.HK), Redco Properties Group Limited (1622.HK), Bisu Technology Group International Limited (1372.HK) (formerly known as Excel Development (Holdings) Limited), Sino Golf Holdings Ltd. (361.HK), StarGlory Holdings Company Limited (8213.HK) (formerly known as Epicurean and Company, Limited and New Wisdom Holding Company Limited), Zhongchang International Holdings Group Limited (859.HK).

Mr. Xu Zhi (許智先生), is an independent non-executive Director of the Bank. From July 1993 to June 1995, Mr. Xu was a team leader of Guangdong Fudi Technology Co., Ltd.* (廣東福地科技股份有限公司) and from July 1995 to September 1997, Mr. Xu worked as a tax advisor at Xi'an Tax Consultation Firm* (西安市稅務師事務所). In November 1997, Mr. Xu joined Dongguan Zhengliang Certified Public Accountants Co., Ltd.* (東莞市正量會計師事務所) and successively served as an auditor, project manager and deputy department manager. From September 2002 to March 2004, Mr. Xu was a senior project manager of Pan-China Certified Public Accountants LLP in Zhejiang* (浙江天健會計師事務所), a technical director of Guangdong Zhengliang Certified Public Accountants Co., Ltd.* (廣東正量會計師事務所有限公司) from March 2004 to October 2010, and the deputy director of Guangdong CCAT Certified Public Accountants Co., Ltd.* (廣東中誠安泰會計師事務所有限公司) from October 2010 to April 2015. He has been the deputy director of Dongguan Branch of ZhongShen ZhongHuan (ZSZH) Certified Public Accountants (Special General Partnership) (中審眾環會計師事務所(特殊普通合夥)) from May 2015 to December 2019. Mr. Xu has been the deputy director of Guangdong CCAT Certified Public Accountants Co., Ltd.* (廣東中誠安泰會計師事務所有限公司) since January 2020. In addition, Mr. Xu has been an independent director of HUCAIS Printing Co., Ltd.* (虎彩印藝股份有限公司) (834295.NEEQ) since November 2013, a director of Dongguan Tianyu Network Technology Co., Ltd.* (東莞市天宇網絡技術股份有限公司) (838309.NEEQ) since March 2020, a director of Hunan Haofang Jingxuan Network Technology Co., Ltd.* (湖南好房京選網絡科技有限公司) between March 2020 and December 2020 and an independent director of Guangdong Sinopatt Semiconductor Technology Co., Ltd.* (廣東中圖半導體科技股份有限公司) since September 2020. In addition, Mr. Xu was a supervisor of the Police Anti-corruption Committee of Guangdong Public Security Department from December 2008 to December 2013, and a representative of the 11th and 12th Session of the National People's Congress of Guangdong Province (廣東省全國人民代表大會) in January 2008 and January 2013, respectively. Mr. Xu has been a representative of the 13th Session of the National People's Congress of Guangdong Province since January 2018.

Mr. Shi Wenfeng (施文峰先生), is an independent non-executive Director of the Bank. Mr. Shi successively served as a trainee cadre, clerk and assistant judge of the Municipal Court of Dongguan (東莞市人民法院) from July 2002 to December 2008. From January 2009 to May 2009, Mr. Shi was an assistant judge of Dongguan No.2 People's Court (東莞市第二人民法院), and was the associate presiding judge of Humen Court of Dongguan No.2 People's Court (東莞市第二人民法院虎門法庭) from May 2009 to April 2014. From April 2014 to January 2019, Mr. Shi had been the associate presiding judge of Civil Division IV, the presiding judge of Civil Division IV and the presiding judge and a committee member of Civil Division I of Dongguan No.2 People's Court. Since March 2019, Mr. Shi has been a senior consultant and a senior co-partner of Beijing DHH (Shenzhen) Law Firm (北京德和衡(深圳)律師事務所).

Mr. Tan Fulong (譚福龍先生), is an independent non-executive Director of the Bank. From July 1997 to January 2022, Mr. Tan worked in Guangdong Junzheng Law Firm* (廣東君政律師事務所) initially as an assistant to the director, then as a practicing solicitor and subsequently as its partner. Since January 2022, Mr. Tan serves as the senior partner of Guangzhou King Pound (Dongguan) Law Firm) (廣州金鵬(東莞)律師事務所). In addition, Mr. Tan was an independent director of the 5th and 6th session of the board of directors as well as the chairman of the related party transaction control committee and member of the audit committee of the board of directors of the Bank of Dongguan Co., Ltd.* (東莞銀行股份有限公司) from April 2012 to January 2019. Mr. Tan has been an expert in legislative consultation and assessment of the Standing Committee of the 16th Session of Dongguan Municipal People's Congress (東莞市人民代表大會常務委員會) since April 2017; a deputy director of the 11th Session of Guangdong Lawyers Association Professional Committee on the Law of Implementation and Disposal of Non-performing Assets (第十一屆廣東省律師協會執行與不良資產處置法律專業委員會) since October 2017; an expert of the Civil Administration Procuratorate Think Tank of the Dongguan People's Procuratorate(東莞市人民檢察院)since May 2019; and an expert of Civil, Administrative and Prosecution Expert Consultation Web (民事行政檢察專家諮詢網) appointed by the Sixth Procuratorate and Seventh Procuratorate of The Supreme People's Procuratorate of the PRC since March 2021. Mr. Tan is a member of the 13th and 14th Session of the Dongguan Committee of the Chinese People's Political Consultative Conference of Guangdong Province (中國人民政治協商會議廣東省東莞市委員會).

Ms. Liu Yuou (劉宇鷗女士), is an independent non-executive Director of the Bank. From July 1994 to September 1997, Ms. Liu was an audit officer of the audit department of the Guangdong Branch of the Bank of China Limited* (中國銀行股份有限公司廣東省分行). From September 1997 to October 1999, Ms. Liu was the manager of the financial department of the Guangzhou Branch of Scotiabank* (加拿大豐業銀行). Ms. Liu served as a certified public accountant, a real estate appraiser and a land appraiser of Dongguan Xiecheng Accounting Firm* (general partner) (東莞市協誠會計師事務所(普通合夥)) from January 2000 to December 2007, and has been a partner, a deputy chief accountant and a certified public accountant of Dongguan Zhengyu Accountants Firm* (general partner) (東莞市正域會計師事務所(普通合夥)) since January 2008.

Ms. Xu Tingting (許婷婷女士), is an independent non-executive Director of the Bank. Ms. Xu was a financial manager of Dongguan Zhengliao Financial Consulting Co., Ltd.* (東莞市正聯財務諮詢有限公司) from September 2007 to March 2011. She has also served as a chief accountant of Dongguan Zhengliao C.P.A. Limited (general partner)* (東莞市正聯會計師事務所(普通合夥)) since April 2011. Since February 2022, Ms. Xu serves as the executive director of HNA Technology Investments Holdings Limited.

2. SUPERVISORS

Mr. Chen Sheng (陳勝先生), is a member of the communist committee and the chairman of the Board of Supervisors of the Bank. Mr. Chen was successively a staff, deputy chief, chief and assistant researcher at the general office of Guangdong People's Government from July 1996 to March 2006 and had been seconded to a task force responsible for investigation under the Disciplinary Committee of Guangdong Province during the period. Mr. Chen was a deputy head of the office, deputy general manager and general manager of the administration department of Guangdong Province Rural Credit Cooperatives Association* (廣東省農村信用社聯合社) and a committee secretary of the Communist Youth League of Guangdong Province Rural Credit Cooperatives Association* (共青團廣東省農村信用社聯合社) from March 2006 to November 2016, chairman of the board of supervisors and secretary of the disciplinary committee of Huizhou Rural Commercial Bank Co., Ltd.* (惠州農村商業銀行股份有限公司) from October 2012 to July 2017, and chief officer of the Resident CCPC Office and head of the organization department of the party committee of Guangdong Province Rural Credit Cooperatives Association* (廣東省農村信用社聯合社) from July 2017 to August 2018. Mr. Chen joined the Bank in August 2018 as a member of the communist committee, secretary of the disciplinary committee and ceased to act as the secretary of the disciplinary committee since November 2018.

Ms. Deng Yanwen (鄧燕雯女士), is an employee Supervisor of the Bank. Ms. Deng joined the Dongguan Rural Credit Cooperatives Association* (東莞農村信用合作社聯合社) and Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessors of our Bank, in May 1992 and served successively as a staff and deputy supervisor and assistant manager of the business department, assistant manager of the finance and accounts department, deputy director of the finance and accounts department and the deputy director of the business department, deputy director of the financial supervisory department, manager of the supervision and audit department and the manager of the human resources development department. After the establishment of the Bank, Ms. Deng has successively served as the general manager of the human resources department and director of the Board of Supervisors office of our Bank since April 2010.

Mr. Wu Lixin (伍立新先生), is an employee Supervisor of the Bank. Mr. Wu joined the Dongguan Rural Credit Cooperatives Association* (東莞農村信用合作社聯合社), the predecessor of the Bank, in June 1989 and had held various positions in the credit cooperatives at town level, including the head of the audit team of Chang'an Credit Cooperative* (長安信用社), deputy director of Dalingshan Credit Cooperative* (大嶺山信用社), and director of Nancheng Credit Cooperative* (南城信用社), Humen Credit Cooperative* (虎門信用社) and Chang'an Credit Cooperative* (長安信用社). After the establishment of the Bank, Mr. Wu served as the president of Chang'an sub-branch of our Bank from January 2010 to December 2013, and president of Huang Jiang sub-branch of our Bank from January 2014 to January 2019. He has been the chairman of Huizhou Zhongkai Dongying County Bank* (惠州仲愷東盈村鎮銀行), a non wholly-owned subsidiary of our Bank, since February 2019.

Mr. Liang Zhifeng (梁志鋒先生), is an employee Supervisor of the Bank. Mr. Liang successively served as the officer, section member, deputy section head and section head of Dongguan Audit Bureau (東莞市審計局) from July 1997 to March 2015, and served as the director of Dongcheng branch of Dongguan Finance Bureau (東莞市財政局東城分局) from March 2015 to March 2019. Mr. Liang joined our Bank in March 2019, and successively served as the general manager of the service supervision center (currently known as corporate culture department upon reformation) and general manager of the institution management department currently known as assets and liabilities management department upon reformation, and is currently the president of Humen sub-branch of our Bank.

Mr. Lu Chaoping (盧超平先生), is a shareholder representative Supervisor of the Bank. Prior to that, from November 2005 to December 2009, Mr. Lu served as a supervisor of the Council of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessor of our Bank. Mr. Lu served as the executive director of Dongguan Shenzhou Industrial Investment Co., Ltd.* (東莞市神洲實業投資有限公司) since February 1990 and has been the chairman of Dongguan Shenzhou Industrial Development Co., Ltd.* (東莞市神洲實業開發有限公司) since July 1996. Mr. Lu was appointed as the vice president of the China Trade and Economic Promote Association (中國經濟貿易促進會) in 2012, and served as the vice chairman of the General Chamber of Commerce of Guangdong Federation of Industry and Commerce (廣東省工商聯合會直屬會員商會) from January 2013 to December 2016. In addition, Mr. Lu was the representative to the 15th Session of Dongguan Municipal People's Congress (東莞市人民代表大會) and 16th Session of People's Congress of Humen (虎門鎮人民代表大會).

Mr. Wang Zhujin (王柱錦先生), is a shareholder representative Supervisor of the Bank. Mr. Wang was a teacher of Yanwo Primary School (燕窩小學) in Shipai Town of Dongguan from August 1983 to November 1984. He also worked for the Shipai Town Supply and Marketing Cooperative in Dongguan of Guangdong Province* (廣東省東莞市石排供銷社) from December 1984 to June 1986, and the Shipai People's Government in Dongguan (東莞市石排鎮人民政府) from July 1986 to October 1997. Mr. Wang joined the Dongguan Rural Credit Cooperatives Association* (東莞農村信用合作社聯合社), the predecessor of the Bank, in November 1997 and held various positions in the credit cooperatives at town level, including the director of Shilong Credit Cooperative* (石龍信用社), president of Shilong sub-branch and president of Shipai sub-branch. Since August 2015, Mr. Wang has served as the chairman of Dongguan Jinda Industry Co., Ltd.* (東莞市錦達實業有限公司), mainly responsible for overseeing the overall operation of the company.

Mr. Liang Jiepeng (梁杰鵬先生), is a shareholder representative Supervisor of the Bank. Mr. Liang served as an investment consultant of Tianjin Hexin Equity Investment Fund Partnership* (limited partnership) (天津市合信股權投資基金合夥企業 (有限合夥)) and Shanghai Junyin Equity Investment Partnership* (limited partnership) (上海峻銀股權投資合夥企業 (有限合夥)), respectively. Since November 2018, Mr. Liang has served as the general manager of Dongguan Hengguan Industrial Investment Co., Ltd.* (東莞市恒光實業投資有限公司). Currently, Mr. Liang is also the director of Shandong Hilead Biotechnology Co., Ltd.* (山東瀚霖生物技術有限公司) and the supervisor of Shenzhen Qianhai Penghuirong Industrial Investment Co., Ltd.* (深圳前海鵬輝榮實業投資有限公司).

Mr. Zou Zhibiao (鄒志標先生), is a shareholder representative Supervisor of the Bank. From September 2011 to June 2014, Mr. Zou was the general manager of the operation department of Dongguan Yongwang Commercial Operation and Management Co., Ltd.* (東莞市永旺商業經營管理有限公司). In September 2013, Mr. Zou became the business director of Guangdong Zhangde Industrial Investment Co., Ltd.* (廣東長德實業投資有限公司). Since July 2015, Mr. Zou was an executive director of Dongguan Huifeng Asset Management Co., Ltd.* (東莞市惠豐資產管理有限公司) and supervisor of Guangdong Wending Cultural Education Investment Co., Ltd.* (廣東文鼎文化教育投資有限公司). Since October 2016, Mr. Zou has been the executive director and manager of Dongguan Chuanghong Investment Co., Ltd.* (東莞市創泓股權投資有限公司).

Ms. Wei Haiying (衛海英女士), is an external Supervisor of the Bank. Since July 1986, Ms. Wei has worked at the College of Economics and School of Management of Jinan University (暨南大學) successively as a teacher of the department of statistics of the College of Economics, a teacher of the MBA Education Center of the School of Management, the chief of the department of marketing of the School of Management and deputy head of the School of Management. She currently serves as a secretary to the party committee of the School of Management of Jinan University. In addition, Ms. Wei is also the vice president of Marketing Association of Guangdong (廣東營銷學會) and Guangdong Association of Quality Control (廣東質量協會).

Mr. Yang Biao (楊彪先生), is an external Supervisor of the Bank. From July 2005 to October 2008, Mr. Yang successively served as a chief officer and a deputy chief officer in the People's High Court of Guangdong Province (廣東省高級人民法院). Since November 2008, Mr. Yang successively served as the lecturer, associate professor and professor of the School of Law of Sun Yat-sen University (中山大學), and has been mainly responsible for research and lecturing of law. In addition, during his employment at Sun Yat-sen University, Mr. Yang was seconded to the People's Court of Huangpu District of Guangzhou (廣州市黃埔區人民法院) as an assistant to the chief judge from March 2015 to February 2016. Mr. Yang serves as a director in a number of companies, including an independent director of Guangdong Guangzhou Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司) (002181.SZ), an independent non-executive director of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司) (1812.HK), an independent director of Circle Logistics Co., Ltd. (僑益物流股份有限公司) (833478.NEQ), an independent director of Guangdong Tianhe Agricultural Means of Production Co., Ltd. (廣東天禾農資股份有限公司), an independent director of Guangdong Yuehai Feeds Group Co., Ltd. (廣東粵海飼料集團股份有限公司), a director of Guangzhou Sun Yat-sen University Science Park Co., Ltd. (廣州中山大學科技園有限公司), and a director of Guangzhou Zhongda Intellectual Services Co., Ltd.* (廣州中大知識產權服務有限公司).

Mr. Zhang Bangyong (張邦永先生), is an external Supervisor of the Bank. Between September 2005 and February 2012, Mr. Zhang has been a trainee solicitor and a solicitor of Guangdong Great Brothers Law Firm (廣東格雷兄弟律師事務所). He worked at Guangdong Baiqin Law Firm* (廣東百勤律師事務所) as a lawyer from February 2012 to December 2012. From December 2012 to October 2015, he was a director and lawyer of Guangdong Qinnuo Law Firm* (廣東勤諾律師事務所). From October 2015 to March 2021, he has been a partner of Guangdong Everwin Law Office (Dongguan)* (廣東法制盛邦(東莞)律師事務所). Since June 2021, Mr. Zhang has been a partner of Guangdong Qinyi Law Office* (廣東秦儀律師事務所).

Ms. Mai Xiuhua (麥秀華女士), is an external Supervisor of the Bank. From January 1996 to December 1999, Ms. Mai worked at Dongguan Sanjun Clothing Co., Ltd.* (東莞三駿時裝有限公司). From January 2000 to February 2001, Ms. Mai worked at Alps Logistics Co., Ltd.* (廣東阿爾卑斯物流有限公司). From February 2001 to June 2010, Ms. Mai was an audit project manager of Guangdong Zhengliang Accounting Firm Limited Company* (廣東正量會計師事務所有限公司) (now known as Guangdong Pan-China Certified Public Accountants LLP* (廣東天健會計師事務所有限公司)). Since June 2010, Ms. Mai has served as the technical supervisor of Dongguan Ruifeng Accounting Firm Co., Ltd.* (東莞市瑞豐會計師事務所有限公司) and Dongguan Ruiyi Accounting Firm Co., Ltd.* (東莞市瑞益稅務師事務所有限公司). Since August 2017, Ms. Mai has served as an independent director of Dongguan Yutong Optical Technology Co., Ltd.* (東莞市宇瞳光學科技股份有限公司) (300790.SZ). In addition, Ms. Mai is a representative of the 16th and 17th Session of the Dongguan Municipal People's Congress (東莞市人民代表大會) and a member of the finance and economy committee of the Dongguan Municipal People's Congress (東莞市人大財政經濟委員會).

3. SENIOR MANAGEMENT

Mr. Fu Qiang (傅強先生), deputy secretary to the party committee, executive Director and president of our Bank. For the biography of Mr. Fu Qiang, please see "Directors" in this section.

Mr. Ye Jianguang (葉建光先生), a member of the party committee, executive Director, vice president, chief risk officer, secretary to the Board of Directors and joint company secretary of our Bank. For the biography of Mr. Ye Jianguang, please see "Directors" in this section.

Mr. Chen Wei (陳偉先生), a member of the party committee, executive Director and vice president of our Bank. For the biography of Mr. Chen Wei, please see "Directors" in this section.

Ms. Chen Dongmei (陳冬梅女士), a member of the party committee, vice president and chief information officer of our Bank. Ms. Chen held various positions at Dongguan Rural Credit Cooperatives Association* (東莞農村信用合作社聯合社), the predecessor of the Bank, from July 1993 to December 2006, including deputy section head of financial and accounting department, assistant manager of the business department and assistant manager of finance and accounting department. From December 2006 to March 2010, she served as the manager of finance and accounting department of Dongguan Rural Credit Cooperatives Union (東莞市農村信用合作聯社), the predecessor of the Bank. From March 2010 to June 2013, Ms. Chen was the general manager of financial department of our Bank, and has subsequently been appointed as our assistant president, member of the party committee, vice president and chief information officer.

4. MEMBERS OF PARTY COMMITTEE

Mr. Wang Yaoqiu (王耀球先生), secretary to the party committee, executive Director and chairman of our Bank. For the biography of Mr. Wang Yaoqiu, please see “Directors” in this section.

Mr. Fu Qiang (傅強先生), deputy secretary to the party committee, executive Director and president of our Bank. For the biography of Mr. Fu Qiang, please see “Directors” in this section.

Mr. Chen Sheng (陳勝先生), a member of the party committee and the chairman of the Board of Supervisors of the Bank. For the biography of Mr. Chen Sheng, please see “Supervisors” in this section.

Mr. Qian Hua (錢華先生), a member of the party committee and secretary of the disciplinary committee of the Bank. From July 1993 to August 2004, Mr. Qian had held various positions in Guangzhou Branch of the People’s Bank of China, including officer of the administration of foreign exchange, officer of the monetary and credit management department, deputy chief officer of the money and credit management office and chief officer of the credit management department. From October 2004 to December 2005, he had served as the chief officer of the financial department of the Financial Service Office of the Guangdong Province. From December 2005 to September 2018, he worked at the Guangdong Rural Credit Union, and successively served as the deputy general manager of the reform and development department, deputy general manager of the reform and strategic research department, general manager of the business development and innovation department, vice president and general manager of the comprehensive department of the Guangdong Banking Credit Financial Service Center (廣東銀信金融服務中心), general manager of the comprehensive department of the Guangdong Banking Credit Financial Service Center (廣東銀信金融服務中心), member of the party committee and vice president of the Guangdong Banking Credit Financial Service Center (廣東銀信金融服務中心), secretary of the disciplinary committee, member of the party committee and vice president of the Guangdong Banking Credit Financial Service Center (廣東銀信金融服務中心), secretary to the party group of Zhaoqing Office (during which he had served as the deputy officer of the Dongguan Rural Credit Union from April 2009 to December 2009); from September 2018 to November 2018, he served as the secretary to the party committee of the Zhaoqing Rural Commercial Bank System. He joined the Bank in November 2018 and served as the secretary of the disciplinary committee.

Mr. Ye Jianguang (葉建光先生), a member of the party committee, executive Director, vice president, chief risk officer, secretary to the Board of Directors and joint company secretary of our Bank. For the biography of Mr. Ye Jianguang, please see “Directors” in this section.

Mr. Chen Wei (陳偉先生), a member of the party committee, executive Director and vice president of our Bank. For the biography of Mr. Chen Wei, please see “Directors” in this section.

Ms. Chen Dongmei (陳冬梅女士), a member of the party committee, vice president and chief information officer of our Bank. For the biography of Ms. Chen Dongmei, please see “Senior Management” in this section.

(III) Changes in Directors, Supervisors and Senior Management

In March 2021, Mr. Ye Yunfei ceased to be a Director of the Bank due to change of work; in April 2021, Mr. Ye Yunfei ceased to be an assistant president and the secretary to the Board of the Bank.

In April 2021, Mr. Chen Xuchu ceased to be a vice president and the compliance director of the Bank.

In April 2021, Mr. Ye Jianguang was further appointed as the joint company secretary of the Bank. In May 2021, he concurrently serves as the secretary to the Board of Directors.

(IV) Changes in Information of Directors and Supervisors

In March 2021, Mr. Tan Fulong was appointed as an expert of Civil, Administrative and Prosecution Expert Consultation Web (民事行政檢察專家諮詢網) by the Sixth Procuratorate and the Seventh Procuratorate of The Supreme People's Procuratorate.

In March 2021, Mr. Zhang Bangyong ceased to be a partner of Guangdong Everwin Law Office (Dongguan) (廣東法制盛邦(東莞)律師事務所). Since June 2021, Mr. Zhang has been a partner of Guangdong Qinyi Law Office (廣東秦儀律師事務所).

In February 2022, Ms. Xu Tingting was appointed an executive director of HNA Technology Investment Holdings Limited (HKEX: 2086).

(V) Directors, Supervisors and Senior Management Remuneration Policy

According to the Dongguan Rural Commercial Bank Co., Ltd. Directors and Supervisors Remuneration Policies considered and approved at the 2019 annual general meeting, the Bank has formulated the remuneration plan based on the principle of ability and contribution, stood by the principle that increment of remuneration shall not exceed the increment of economic benefits of the Bank, and determined the remuneration package based on positions, responsibility, work performance, work attitude and other indicators as well as the remuneration level of other comparable positions, and provided remuneration to independent Directors and external Supervisors; the remuneration of executive Directors, employee Supervisors and other senior management members shall be determined in accordance with the remuneration management measures formulated by the Bank.

The remuneration of Directors, Supervisors, senior management and employees in positions that have significant impact on the Bank's risk in 2021 is as follows:

Remuneration band of 2021 (before taxation)	Number
RMB250,000 and above	63
RMB250,000 or below	21
Total	84

Note: Employees in positions that have significant impact on the Bank's risk refer to the person-in-charge of branches and of relevant departments who involved in credit, finance, risk and technology of the headquarters.

Please refer to Note 11 to the consolidated financial statements in the "Financial Report" chapter in this report for details of remuneration of Directors and Supervisors during the Reporting Period.

(VI) Interests and Short Positions of Directors, Supervisors and Chief Executives

As at December 31, 2021, the interests and short positions of our Directors, Supervisors and chief executives in the Shares, underlying Shares and debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register of interests kept by the Bank pursuant to section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules are as follows:

Interest in Shares or underlying Shares

Name	Position	Class of Shares	Long position/ short position	Capacity	Number of Shares directly or indirectly held (shares)	Approximate % of the relevant class of Shares (%)	Approximate % of total issued Shares (%)
Wang Yaoju	Executive Director	Domestic Shares	Long position	Beneficial owner	401,210	0.00699	0.00582
Fu Qiang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Ye Janguang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.01742	0.01452
		Domestic Shares	Long position	Interest of spouse	500,000		
Chen Wei	Executive Director	Domestic Shares	Long position	Beneficial owner	113,907	0.00287	0.00239
		Domestic Shares	Long position	Interest of spouse	50,578		
Lai Chun Tung	Non-executive Director	Domestic Shares	Long position	Beneficial owner	1,156,825	0.04779	0.03982
		Domestic Shares	Long position	Interest in controlled corporation ⁽¹⁾	1,586,277		
Wang Junyang	Non-executive Director	Domestic Shares	Long position	Interest in controlled corporation ⁽²⁾	172,389,749	3.00307	2.50256
Cai Guowei	Non-executive Director	Domestic Shares	Long position	Beneficial owner	2,281,622	0.04311	0.03593
		Domestic Shares	Long position	Interest of spouse	193,261		
Ye Jinqun	Non-executive Director	Domestic Shares	Long position	Beneficial owner	9,663,060	1.99510	1.66259
		Domestic Shares	Long position	Interest in controlled corporation ⁽³⁾	104,864,996		
Chen Haitao	Non-executive Director	Domestic Shares	Long position	Beneficial owner	350,000	0.00610	0.00508
Zhang Qingxiang	Non-executive Director	Domestic Shares	Long position	Beneficial owner	2,021,371	0.07566	0.06305
		Domestic Shares	Long position	Interest of spouse	2,322,102		
Chen Weiliang	Non-executive Director	Domestic Shares	Long position	Beneficial owner	6,000	0.00010	0.00009
Chen Sheng	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	32,210	0.00056	0.00047
Deng Yanwen	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	335,412	0.00584	0.00487
Wu Lixin	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	335,412	0.03372	0.02810
		Domestic Shares	Long position	Interest of spouse	1,600,421		
Liang Zhifeng	Employee Supervisor	Domestic Shares	Long position	Interest of spouse	9,664	0.00017	0.00014
Lu Chaoping	Shareholder representative Supervisor	Domestic Shares	Long position	Interest in controlled corporation ⁽⁴⁾	6,442,040	0.11222	0.09352
Wang Zhujin	Shareholder representative Supervisor	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Liang Jiepeng	Shareholder representative Supervisor	Domestic Shares	Long position	Beneficial owner	2,254,714	0.03928	0.03273
Zou Zhibiao	Shareholder representative Supervisor	Domestic Shares	Long position	Beneficial owner	32,210	0.00056	0.00047

Notes:

- (1) Such 1,586,277 Domestic Shares are held by Dongguan City Sanyang Shiye Development Co., Ltd.* (東莞市三陽實業發展有限公司), a company owned as to 90.00% by Mr. Lai Chun Tung. Accordingly, Mr. Lai is deemed to be interested in all the Domestic Shares held by Dongguan City Sanyang Shiye Development Co., Ltd.* under the SFO.
- (2) Such 172,389,749 Domestic Shares include (i) 150,104,602 Domestic Shares held by Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司), a company owned as to 97.46% by Mr. Wang Junyang; and (ii) 22,285,147 Domestic Shares held by Dongguan City Xingye Group Co., Ltd.* (東莞市興業集團有限公司), a company owned as to 8.00% and 42% by Mr. Wang Junyang and Kanghua Investment, respectively. Accordingly, Mr. Wang Junyang is deemed to be interested in all the Domestic Shares held by Dongguan City Kanghua Investment Group Co., Ltd.* and Dongguan City Xingye Group Co., Ltd.* under the SFO.
- (3) Such 104,864,996 Domestic Shares include (i) 69,784,524 Domestic Shares held by Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司) (“Guangdong Haide”), a company owned, among other shareholders, as to (a) 25% by Mr. Ye Jinqun; (b) 25% by Dongguan City Botong Shiye Investment Co., Ltd.* (東莞市博通實業投資有限公司), which in turn is owned as to 96% by Mr. Ye Jinqun; (c) 25% by Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司) (“Dongguan City Commercial Center”), which in turn is owned as to 96% by Mr. Ye Jinqun; and (d) 24% by Dongguan City Hengyi Shiye Investment Co., Ltd.* (東莞市恒億實業投資有限公司), which in turn is owned as to 51% by Guangdong Haide and 39% by Mr. Ye Jinqun; and (ii) 35,080,472 Domestic Shares held by Dongguan City Commercial Center. Accordingly, Mr. Ye is deemed to be interested in all the Domestic Shares held by Guangdong Haide and Dongguan City Commercial Center under the SFO.
- (4) Such 6,442,040 Domestic Shares are held by Dongguan City Shenzhou Industrial Development Co., Ltd.* (東莞市神州實業開發有限公司), a company owned as to 90.00% by Mr. Lu Chaoping. Accordingly, Mr. Lu Chaoping is deemed to be interested in all the Domestic Shares held by Dongguan City Shenzhou Industrial Development Co., Ltd.* under the SFO.

Interest in associate corporations

Name	Position in the Bank	Name of associated corporation	Nature of interest	Number of shares in the associated corporation (Shares)	Approximate percentage of interest in the associated corporation (%)
Chen Wei	Executive Director	Zhanjiang RCB	Beneficial owner	1,028,943	0.06217
Wang Junyang	Non-executive Director	Hezhou Babu Dongying County Bank	Interest in Controlled corporation ⁽¹⁾	3,125,000	3.12500

Note:

- (1) Such 3,125,000 shares of Hezhou Babu Dongying County Bank are held by Dongguan City Dongcheng Stone Co., Ltd.* (東莞市東成石材有限公司), a company wholly owned by Dongguan City Xingye Group Co., Ltd.* (東莞市興業集團有限公司), which is in turn owned as to 8.00% and 42.00% by Mr. Wang Junyang and Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司) (a company owned as to 97.46% by Mr. Wang Junyang), respectively. Accordingly, Mr. Wang Junyang is deemed to be interested in the shares of Hezhou Babu Dongying County Bank held by Dongguan City Dongcheng Stone Co., Ltd.* (東莞市東成石材有限公司) under the SFO.

Save as disclosed above, none of the Directors, Supervisors, the chief executives of the Bank had any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations (as defined in the part XV of the SFO) which were required to be notified to the Bank and the Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Bank and the Stock Exchange.

(VII) Security Transactions by Directors and Supervisors

The Bank has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standards of securities transactions by Directors and Supervisors with effect from the Listing. Having made specific enquiry to all Directors and Supervisors, all Director and Supervisors have confirmed that they have complied with the Model Code from the Listing Date up to the end of the Reporting Period.

(VIII) Rights to Acquire Securities of the Bank

None of the Bank, or any of its holding companies (if any) or subsidiaries, or any fellow subsidiaries (if any), a party to any arrangement enables any Directors, the Supervisors or chief executives of the Bank or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Bank or any of its associated corporations (as defined in the SFO) or to acquire benefits by means of acquisition of shares in, or debentures of, the Bank or any other body corporate.

(IX) Directors' Interests in Competing Business

- (1) Mr. Lai Chun Tung, the non-executive Director of the Bank, holds 10% of the equity interest of Dongguan City Zhuorui Small Loans Co., Ltd. (東莞市卓瑞小額貸款股份有限公司) ("Dongguan Zhuorui"), a company principally engaged in small loans business with registered capital of RMB100.0 million. As Dongguan Zhuorui is engaged in small loans business, it may compete with the business of our Bank.
- (2) Mr. Wang Junyang, the non-executive Director of the Bank, holds 97.46% of the equity interest of Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司) ("Kanghua Investment"), which in turn holds 80% of the equity interest of Dongguan City Xingye Refinancing Guarantee Co., Ltd.* (東莞市興業融資擔保有限公司) ("Xingye Refinancing"), a company principally engaged in the provision of guarantee and related business with registered capital of RMB250.0 million. In addition, Kanghua Investment indirectly owns 50% of the equity interest in Guangdong Kanglian Investment Group Co., Ltd.* (廣東康聯投資集團有限公司) through its wholly-owned subsidiary, which in turn holds 100% of the equity interest of Dongguan City Kanglian Property Development Co., Ltd.* (東莞市康聯房地產開發有限公司), which in turn holds 80% of the equity interest of Dongguan City Baihui Pawn Co., Ltd.* (東莞市百匯典當有限公司) ("Baihui Pawn"), a company principally engaged in pawn business with registered capital of RMB5.0 million. Mr. Wang Junyang also directly and through Kanghua Investment holds 8% and 42.00% of the equity interest in Dongguan City Xingye Group Co., Ltd.* (東莞市興業集團有限公司) ("Xingye Group"), respectively, which in turn holds 20% of the equity interest in Dongguan City Dongshang Small Loans Co., Ltd.* (東莞市東商小額貸款有限公司) ("Dongshang Small Loans"), a company principally engaged in small loans business with registered capital of RMB200.0 million. As Xingye Refinancing, Baihui Pawn and Dongshang Small Loans are engaged in the provision of guarantee business, pawn business and small loans business, respectively, they may compete with the business of our Bank.
- (3) Mr. Chen Haitao, the non-executive Director of the Bank, holds 30% of the equity interest of Guangdong Hongyuan Group Co., Ltd.* (廣東宏遠集團有限公司) ("Guangdong Hongyuan") which in turn is interested in 20% of the equity interest of Dongguan City Zhuorui Small Loans Co., Ltd.* (東莞市卓瑞小額貸款股份有限公司) ("Dongguan Zhuorui"), a company principally engaged in small loans business with registered capital of RMB100.0 million. As Dongguan Zhuorui is engaged in small loans business, it may compete with the business of our Bank.
- (4) Mr. Zhang Qingxiang, the non-executive Director of the Bank, holds 51% of the equity interest of Guangdong Yuxinguo Construction Engineering Limited* (廣東裕欣國建築工程有限公司) ("Guangdong Yuxinguo") which in turn is interested in 20% of the equity interest of Dongguan City Jiaxing Small Loan Co., Ltd.* (東莞市佳興小額貸款股份有限公司) ("Dongguan Jiaxing"), a company principally engaged in small loans business with registered capital of RMB100.0 million. As Dongguan Jiaxing is engaged in small loans business, it may compete with the business of our Bank.

Taking into consideration of the relatively small registered capital of the aforementioned competing businesses, ranging from RMB5.0 million to RMB250.0 million, as compared to that of our Bank and the diverse scope of business of our Bank, the potential competition between our Bank with such competing businesses is minimal. As each of the relevant Directors is a non-executive Director and does not participate in our daily management, the Bank believes that the business operation of our Bank will not be affected by their interest in such competing businesses. In accordance with the Articles of Association of the Bank, if a Director is materially interested in any matters to be considered at the Board of Directors meeting, such Director shall abstain from voting on such resolution.

(X) Financial, Business and Family Relationship among Directors, Supervisors and Senior Management

To the best of our knowledge, there is no financial, business, family and other material or relevant relationship among the Directors, Supervisors and senior management of the Bank.

(XI) Directors’ and Supervisors’ Interests in Contracts, Transactions and Arrangements

Save for the transactions described under the “Connected Transaction under the Listing Rules” section in the “Report of the Board of Directors” chapter, there were no any other contract, transaction or arrangement of significance of the Group in which a Director or a Supervisor or an entity connected with a Director or a Supervisor is or was materially interested, either directly or indirectly, subsisting during or at the end of the Reporting Period.

For details, please refer to the “Connected Transaction under the Listing Rules” section in the “Report of the Board of Directors” chapter.

(XII) Service Contracts of Directors and Supervisors

None of the Directors nor Supervisors has entered into any service contract with the Bank that is not terminable by the Bank within one year without payment of compensation (other than statutory compensation).

II. EMPLOYEES

As at the end of the Reporting Period, the Group had 7,962 employees, of which 4,732 were males and 3,230 were females. The details are as follows:

(I) Employees by Function

Function type	Number	Percentage (%)
Corporate banking business	945	11.87
Personal banking business	3,060	38.43
Treasury business	100	1.26
Finance, accounting and operation	1,455	18.27
Risk management, internal control and legal compliance	901	11.32
Information technology	298	3.74
Administrative management	891	11.19
Others	312	3.92
Total	7,962	100.00

(II) Employees by Educational Background

Educational background type	Number	Percentage (%)
Postgraduate and above	267	3.35
Undergraduate	5,987	75.19
Associate college	1,314	16.50
Technical secondary school and below	394	4.95
Total	7,962	100.00

(III) Employees by Title

Title category	Number	Percentage (%)
Senior title	147	1.85
Intermediate title	1,306	16.40
Assistant title	2,253	28.30
Employee level and below	4,256	53.45
Total	7,962	100.00

Note: The number of employees mentioned above refers to the number of in-service employees who have signed labor contracts with the Bank or its subsidiaries, excluding non-active personnel such as retired and early retired personnel, and personnel under labor dispatch or outsourcing arrangement.

(IV) Employee Remuneration Policy

The Bank's remuneration is based on risk compliance, follows the basic principles of total quantity control, distribution according to work volume, priority for efficiency, fairness and sustainable development, and fully reflects external competitiveness, internal fairness, individual incentives, corporate affordability and institutional flexibility, which is in line with the strategic development and operation management needs of the Bank.

- 1. Remuneration management structure and decision-making procedures.** According to the operation and management needs, the Bank has established the remuneration management organizational structure. The highest decision-making body is the Shareholders' general meeting of the Bank, which is responsible for the remuneration management of Directors and Supervisors. The Nomination and Remuneration Committee under the Board of Directors are responsible for reviewing the remuneration management system and policies of the Bank, making recommendations on remuneration proposals to the Board of Directors, and assessing Directors and senior management. The office of the Nomination and Remuneration Committee under the Board of Directors is established for formulating and implementing specific remuneration and performance appraisal plans. The Bank is committed to creating an open, transparent, prudent and sound remuneration appraisal atmosphere, full exerting the leading role of remuneration appraisal in operation management and business development.

2. **Total annual remuneration expense and remuneration structure and distribution.** The total remuneration expense of the Group was RMB3,196 million in 2021, which consists of short-term remuneration, post-employment benefits – defined contribution plan and termination benefits. Among them, the remuneration of active employees mainly composed of fixed salary, performance salary, variable salary, medium- and long-term incentives and welfare income, etc. The audited short-term remuneration (salary, bonuses, allowances and subsidies, employee welfare, social insurance, housing provident fund, labor union fund and employee educational fund) amounted to RMB2,948 million, the post-employment benefits – defined contribution plan (including basic pension, unemployment insurance and enterprise annuity) amounted to RMB244 million, and termination benefits was RMB4 million.
3. **Balance of remuneration and results, standards of risk adjustment.** The Bank continued to strengthen the construction of the remuneration system and performance incentive and restraint mechanism, and formulated the Dongguan Rural Commercial Bank Co., Ltd. Remuneration Management Measures and the performance appraisal plan for all levels of personnel. Remuneration is linked to the completion of the business target and the results of risk control.
4. **Deferred payment and non-cash remuneration.** During the Reporting Period, the Bank continued to implement the Dongguan Rural Commercial Bank Deferral Payment of Performance-based Salary Management Measures, and included senior management of the Bank, employees in positions that have significant impact on risks, and other individuals who engage in credit and credit-like business in the scope of deferral payment of performance-based compensation. The Bank divided different provision ratios according to titles, ranks and positions of deferred payment subject, with payment deferral period of 3 years. In particular, the deferral ratio of performance-based compensation for key senior management of the Bank is as high as 51%. In 2021, the number of individuals to whom the Bank implemented deferral payment of performance-based compensation totalled 2,160, the provision amount of deferred payment totalled RMB97.81 million, and the penalty amount in accordance with the requirements as a result of economic responsibility totalled RMB870,000. During the Reporting Period, there was no performance-based compensation paid to the senior management and person of key positions but revoked subsequently due to non-compliance with laws and regulations.

5. **Formulation, filing of annual compensation plan and assessment on completion of economic, risk and social responsibility indicators.** Following the principle of “policy, efficiency, comprehensiveness and continuity”, the Bank has developed a complete set of performance appraisal system, covering risk management, compliance operation, operation efficiency, development and transformation and social responsibility, etc. The performance appraisal based mainly on annual business objectives, taking into consideration of local economic development, to set clear and feasible target and tasks. The main performance appraisal indicators shall be considered and approved by the Board of Directors and reported to the local banking regulatory authority. In addition, the Bank strengthened the assessment of risk compliance and social responsibility, etc., and achieved good results in ensuring the safety of customer funds, improving customer satisfaction, preventing cases and supporting the development of the real economy, making sure the security of the Bank’s economy or reputation. During the Reporting Period, the Bank generally fulfilled the appraisal objectives of operation, development, risk and social responsibility and other indicators, and no downgrading had occurred due to regulatory punishment or major non-compliance with laws and regulations.

6. **Stable compensation system which adapts to the development needs of enterprises and society.** The Bank’s compensation system is relatively stable and there have been no major changes in relevant policies. Generally, compensation adjustment will occurs as a result of: firstly, adjustment will be made to the salary standard corresponding to each class of salary according to the operation efficiency of the Bank and the overall change of salary level of the society; and secondly, adjustment will be made to the salary of partial positions according to the business development needs of the Bank and the supply of human resources of the society, so as to better reflect the actual situation of positions. During the Reporting Period, there was no exceptions beyond the original compensation plan and no changes in the classes of overall salary.

(V) Staff Training

Centering on the new three-year strategic development plan, Dongguan Rural Commercial Bank has comprehensively promoted the construction of digital talent team, fully activated the team to embrace the reformation and dedicated to creating the high-quality talent supply chain from multiple dimensions including mechanism innovation, system construction, platform upgrade and key projects. In 2021, the Bank organized and implemented about 380 training programs, covering more than 38,000 person-time of the Bank. Meanwhile, the Bank deepened the construction of online learning platform and organized about 5,500 employees to participate in online learning, with an average learning time of more than 90 hours.

Developing comprehensive strategy-oriented talent training system. Centering on the three-year strategic planning and business transformation direction, the Bank took construction of talent training system and special training of key talents as the starting point, and “leadership, professionalism and new potential” as the core of talent training. Firstly, the Bank established a three-dimensional four-level cadre training system of “Evergreen Foundation (基業長青)”. Secondly, the Bank focused on the core business sectors to carry out wealth, private banking and other special trainings. Thirdly, the Bank innovated the induction training model, and tapped the potential of young employees through three parallel cultivation modes of “talent identification, training empowerment and job rotation”.

Developing strategic talent training projects to promote reform. Aiming at the transformation of fintech and digital intelligence, the Bank selected a group of young, energetic and accountable young employees through accurate selection, and comprehensively cultivate digital composite talents. Additionally, the Bank empowered talent training of subsidiaries, support the strategic deployment of “group development”, and further promoted “intelligence injection” so as to support the restructuring and development of subsidiaries.

Continuously promotion of learning platform to serve young employees. Focusing on the characteristics of “Generation Z” employees, the Bank provided diversified learning channels for all staff of the Bank by utilizing the learning platform. Firstly, the Bank designed the specialized Generation Z “i Learning Plan (i學計劃)” for all staff of the Bank, created a broader and more open learning and communication platform. Secondly, the Bank deepened the construction of the learning platform, actively utilized the form of “Internet +” to promote the construction of learning organizations, improved the management and operation mechanism of online learning platform, satisfying the diversified, personalized and differentiated development needs of employees.

III. BRANCHES

As at the end of the Reporting Period, the Bank has established 39 tier-one branches and sub-branches, 186 tier-two sub-branches and 279 offices. Details of tier-one branches and sub-branches are as follows:

No.	Name of entity	Address	Telephone
1	Zhongxin sub-branch	No.2 Hongfu East Road, Dongcheng District, Dongguan City	0769-22866666
2	Zhongtang sub-branch	No. 101 Zhongxing Road, Zhongtang Town, Dongguan City	0769-88818522
3	Wangniudun sub-branch	Zhenzhong Road, Wangniudun Town, Dongguan City	0769-88851262
4	Daojiao sub-branch	No. 120 Zhenxing Road North, Daojiao Town, Dongguan City	0769-88833111
5	Hongmei sub-branch	No. 69 Qiaodong Road, Hongmei Town, Dongguan City	0769-88841546
6	Machong sub-branch	No. 5 Zhenxing Road, Machong Town, Dongguan City	0769-88821389
7	Wanjiang sub-branch	No. 3 Wanjiang Road North, Xincheng Community, Wanjiang District, Dongguan City	0769-22288628
8	Humen sub-branch	Dushi Huating, No. 181 Humen Avenue, Humen Town, Dongguan City	0769-85123142
9	Changan sub-branch	No. 286 Changqing South Street, Changan Town, Dongguan City	0769-85310223
10	Houjie sub-branch	No. 16 Kangle North Road, Houjie Town, Dongguan City	0769-85588841
11	Shatian sub-branch	No. 93 Shatai 1st Road, Hengliu, Shatian Town, Dongguan City	0769-88861903
12	Nancheng sub-branch	No. 44 Nancheng Road section, Guantai Road, Dongguan City	0769-22818522
13	Dongcheng sub-branch	No. 7 Dongcheng East Road, Dongcheng District, Dongguan City	0769-22239029
14	Liaobu sub-branch	No.2 Jiaoyu Road, Liaobu Town, Dongguan City	0769-83329710
15	Dalingshan sub-branch	Room 101, No. 460 Dalingshan Section, Guanchang Road, Dalingshan Town, Dongguan City	0769-83351158
16	Dalang sub-branch	No. 568 Meijing Central Road, Dalang Town, Dongguan City	0769-83311102
17	Huangjiang sub-branch	No. 361 Huangjiang Avenue, Huangjiang Town, Dongguan City	0769-83365136
18	Zhangmutou sub-branch	No. 111 Guanzhang West Road, Zhangmutou Town, Dongguan City	0769-87719118
19	Qingxi sub-branch	No. 2 Xiangmang Central Road, Qingxi Town, Dongguan City	0769-87730998
20	Tangxia sub-branch	No. 5 Yingbin Avenue, Tangxia Town, Dongguan City	0769-87728810
21	Fenggang sub-branch	No. 69 Yongsheng Street, Fenggang Town, Dongguan City	0769-87750947
22	Xiegang sub-branch	No. 699 Zhenxing Avenue, Xiegang Town, Dongguan City	0769-87765178
23	Changping sub-branch	No. 50 Changping Avenue, Changping Town, Dongguan City	0769-83331409
24	Qiaotou sub-branch	No. 197 Qiaoguang Avenue (Qiaotou Section), Qiaotou Town, Dongguan City	0769-83342244
25	Hengli sub-branch	No. 580 Zhongshan Road, Hengli Town, Dongguan City	0769-83373924
26	Dongkeng sub-branch	No. 74 Dongkeng Avenue, Dongkeng Town, Dongguan City	0769-83880995
27	Qishi sub-branch	No. 8 Jiangbin Road, Qishi Town, Dongguan City	0769-86665038
28	Shipai sub-branch	No. 297 Shipai Avenue Central, Shipai Town, Dongguan City	0769-86657030
29	Chashan sub-branch	No. 73 Caihong Road, Chashan Town, Dongguan City	0769-86641493
30	Shijie sub-branch	No. 4 Dongfeng South Road, Shijie Town, Dongguan City	0769-86636495
31	Gaobu sub-branch	Office Building No. 13, New Century Yilongwan Phase III, Xiansha Village, Gaobu Town, Dongguan City	0769-88871317
32	Donglian sub-branch	Block F, First International, No. 200 Hongfu Road, Nancheng Street, Dongguan City	0769-22856679
33	Shilong sub-branch	No. 8 Fangzheng Central Road, Shilong Town, Dongguan City	0769-86602831
34	Songshanhu Keji sub-branch	Building No. 20, Songkeyuan, No. 4 Libin Road, Songshan Lake Science and Technology Industrial Park, Dongguan City	0769-22891811
35	Binhai Bay New District sub-branch	Room 106, No. 1 Bay Area Avenue, Binhai Bay New District, Dongguan City	0769-88007788
36	Huizhou sub-branch	Haoshi Plaza, No. 8 Yanda Avenue, Huizhou City	0752-2169686
37	Qingxin sub-branch	1/F, Block C, Kaixuancheng, No.38 Jianshe Road South, Taihe Town, Qingxin District, Qingyuan City	0763-5206869
38	Nansha branch in Guangdong Pilot Free Trade Zone	Room 311, 312, 313, 314, podium building, Block 17, Zhonghui Bilong Bay, No. 3 Wangjiang 2nd Street, Nansha District, Guangzhou City	020-39391183
39	Hengqin branch in Guangdong Pilot Free Trade Zone	Room 3103, Block 2, No. 88 Gangao Avenue, Hengqin New District, Zhuhai City	0756-2992623



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■ Chapter VIII Corporate Governance Report



I. ORGANISATIONAL CHART OF THE BANK



II. OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, according to the requirements of the Company Law of the People's Republic of China, the Corporate Governance Standards of Banking and Insurance Institutions of the CBIRC, and the Listing Rules of the Hong Kong Stock Exchange, and adhering to the leadership of the Party, the Bank has established a corporate governance structure consisting of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management, improved all specialized committees under the Board of Directors, the Board of Supervisors and the senior management, continuously improved the corporate governance system, and continuously improved the level of corporate governance.

The Bank strictly abided by the requirements of the Corporate Governance Code, as well as the relevant laws and regulations and the Listing Rules and other regulations on inside information management. There is no material difference between the Bank's corporate governance and the requirements of the Company Law of the People's Republic of China and the Hong Kong Stock Exchange.

During the Reporting Period, the Bank convened one general meeting, 19 meetings of the Board of Directors, three meetings of the Board of Supervisors, one meeting of the chairman and independent non-executive Directors and one special meeting of independent Directors. The convening of such meetings are in compliance with the procedures stipulated in laws and regulations, regulatory requirements and the Articles of Association of the Bank.

III. SHAREHOLDERS' GENERAL MEETING

(I) Convening of General Meetings

During the Reporting Period, the Bank convened one general meeting, namely the 2020 annual general meeting held on April 23, 2021 in the conference room of headquarters building of Dongguan Rural Commercial Bank, which considered and approved 13 resolutions, including the 2020 Work Report of the Board of Directors, the 2020 Operation and Management Work Report, the 2020 Work Report of the Board of Supervisors and the 2020 Annual Report, and listened to three reports including the 2020 Related Party Transactions Report, the Formulation Report of Second Three-year Development Plan Outline. The Bank effectively safeguarded the lawful rights and interests of all Shareholders and ensured that the Shareholders can perform their duties and exercise their powers in accordance with the laws. The meeting was convened by the Board of Directors and chaired by the chairman of the Board of Directors. A total of 82 Shareholders (including proxies) attended the meeting, representing 3,548,885,252 voting Shares of the Bank, accounting for 61.82% of the total share capital of 5,740,454,510 Shares at the time of the meeting. The voting details of each proposal are as follows:

No.	Name of resolution	Voting		
		For	Against	Abstain
1	Resolution on the 2020 Work Report of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
2	Resolution on the 2020 Operation and Management Work Report of Dongguan Rural Commercial Bank Co., Ltd.	99.9955%	0	0.0045%
3	Resolution on the 2020 Work Report of the Board of Supervisors of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
4	Resolution on the Authorization to the Board of Directors by the Shareholders' General Meeting of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
5	Resolution on the Public Issuance of Tier 2 Capital Bonds by Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
6	Resolution on the 2020 Performance Evaluation Results of the Directors, Supervisors and Senior Management of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
7	Resolution on the 2020 Annual Report of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
8	Resolution on Application for Extending the Validity Period of Proposals Related to the Issuance and Listing of H Shares on The Stock Exchange of Hong Kong Limited by Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
9	Resolution on the Appointment of Accounting Firm to Undertake the Audit of Financial Statements in 2021 of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
10	Resolution on the Estimated Amount Plan for Daily Related Party Transactions of Certain Related Parties of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
11	Resolution on the 2020 Final Account of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
12	Resolution on the 2020 Profit Distribution Plan of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0
13	Resolution on the 2021 Financial Budget of Dongguan Rural Commercial Bank Co., Ltd.	100%	0	0

The convening, notice, holding and voting procedures of the above-mentioned general meeting are in compliance with relevant laws and regulations and relevant provisions of the Articles of Association. Except for Yip Tai Him (Director) who lives in Hong Kong and entrusted Shi Wenfeng (Director) to attend on his behalf due to the pandemic, the remaining 16 Directors of the Bank (Wang Yaoqiu, Fu Qiang, Ye Jianguang, Chen Wei, Lai Chun Tung, Wang Junyang, Cai Guowei, Ye Jinqun, Chen Haitao, Zhang Qingxiang, Chen Weiliang, Xu Zhi, Shi Wenfeng, Tan Fulong, Liu Yuou, Xu Tingting) have all attended the 2020 Annual General Meeting in person.

(II) Shareholders' Rights

1. Convening extraordinary general meetings

Two or more Shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more counterpart requisitions in writing to require the Board of Directors to convene an extraordinary general meeting or a class meeting and stating the objectives of the meeting. The abovementioned number of shares held shall be calculated as of the date of requisitions in writing made by the Shareholders. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting or class meeting within ten days of receiving the proposal. If the Board of Directors agrees to convene the extraordinary general meeting or class meeting, a notice convening such meeting shall be issued within five days after the resolution of the Board of Directors is passed. In the event of any changes of the original proposal set out in the notice, approval of the relevant Shareholders shall be sought.

2. Putting forward proposals on general meeting

Shareholders who individually or jointly hold a total of 3% of the shares of the Bank carrying the right to vote have the right to put forward proposals to the Bank, and may do so by submitting provisional proposals to the convener in writing ten days prior to the date of the shareholders' general meeting. The convener shall issue a supplemental notice setting out the contents of the provisional proposals within two days upon receiving the provisional proposals.

3. Convening extraordinary board meetings

Shareholders representing more than 10% of the voting rights may propose to convene an extraordinary board meeting. The chairman of the Board of Directors shall convene an extraordinary board meeting within 10 days of receiving the proposal from the Shareholders representing more than 10% of the voting rights.

4. Making enquiries to the Board of Directors

A Shareholder has the right to inspect the relevant information of the Bank in accordance with the provisions of the Articles of Association of the Bank after providing the Bank with written documents evidencing the class and number of Shares held by such Shareholder in the Bank and upon verification of the Shareholder's identity by the Bank, including the Articles of Association, status of share capital, minutes of shareholders' general meeting, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors, financial and accounting reports, etc..

5. Profit distribution

A Shareholder has the right to receive dividends and other kinds of distributions based on the number of Shares held by him/her.

(III) Shareholders Communication Policy

The purpose of the shareholders communication policy of the Bank is to ensure that the Bank uses different media and channels to publicly disclose the latest business management of the Bank through effective communication mechanism, strengthen the communication between Shareholders and stakeholders and the Bank, and solicit and understand the Shareholders' suggestions and opinions. Shareholders are encouraged to attend the general meeting and to appoint proxy to vote if he/she is unable to attend. Directors, Supervisors, senior management personnel and external auditors will be arranged to attend the general meeting as appropriate, especially the chairman of each committee under the Board of Directors (if the relevant chairman is unable to attend, another member will be invited to attend).

Shareholders and investors may obtain the latest news and important information of major development of the Bank through the Bank's official website (www.drcbank.com) and the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk). Shareholders may also apply to the Bank or the share registrar or the principal place of business of the Bank in Hong Kong to obtain published corporate communication of the Bank, including annual reports, interim reports and circulars. In support of environmental protection and reduce the impact of printed materials on the environment and climate, the Bank encourages Shareholders and investors to choose to receive and view electronic versions of corporate communication.

Shareholders may contact the share registrar of the Bank (Computershare Hong Kong Investor Services Limited or China Securities Depository or Clearing Corporation Limited) to make inquiries about their shareholdings. In addition, Shareholders can also make inquiries, suggestions or comments to the Board of Directors through the following channels:

Telephone: +86-769-961122

Address: Office of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd., No.2, Hongfu East Road, Dongcheng District, Dongguan City, Gunagdong Province, P.R.China

Postcode: 523123

IV. COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS

(I) Responsibilities of the Board of Directors

The Board of Directors assumes the ultimate responsibility for the operation and management of the Bank and is responsible for convening the Shareholders' general meetings and reporting work to the Shareholders' general meetings, implementing the resolutions of the Shareholders' general meetings, formulating the development strategy of the Bank, preparing the annual financial budgets, final accounts, profit distribution plan and the plan for making up the losses of the Bank, preparing plans for material acquisitions of the Bank, acquisitions of shares of the Bank, merger, division, dissolution or liquidation or alteration of corporate form of the Bank, preparing amendment proposals to the Articles of Association of the Bank, formulating the comprehensive risk management policy of the Bank, and establishing risk management systems for risk tolerance, risk preference, internal control, reputation risk, financial innovation risk and fraud risk, appointing or removing the president, vice president, assistant president and other senior management of the Bank and their remuneration.

(II) Composition of the Board of Directors

As of the end of the Reporting Period, the Board of Directors of the Bank comprised of 17 Directors, including four executive Directors, namely Mr. Wang Yaoqiu (secretary to the Party Committee, chairman), Mr. Fu Qiang (deputy secretary of the Party Committee, president), Mr. Ye Jianguang and Mr. Chen Wei; seven non-executive Directors, namely Mr. Lai Chun Tung, Mr. Wang Junyang, Mr. Cai Guowei, Mr. Ye Jinquan, Mr. Chen Haitao, Mr. Zhang Qingxiang and Mr. Chen Weiliang; six independent non-executive Directors, namely Mr. Yip Tai Him, Mr. Xu Zhi, Mr. Shi Wenfeng, Mr. Tan Fulong, Ms. Liu Yuou and Ms. Xu Tingting.

The Bank has formulated the board diversity policy, focusing on maintaining the diversity of the Board of Directors. Four executive Directors have long been engaged in the banking industry and have rich professional experience; seven non-executive Directors all hold important positions such as the chairman and general manager of enterprises, and have rich experience in operation and management; six independent non-executive Directors all have professional skills in legal, accounting or finance fields, one of whom is from Hong Kong, and is familiar with international accounting standards and Hong Kong capital market rules. There are two female Directors in the Board of Directors. The diverse structure of the Board of Directors is helpful to facilitate scientific decision-making and independent judgment of the Board of Directors. In addition, the Nomination and Remuneration Committee of the Board of Directors annually reviews the structure, size and composition of the Board of Directors (including skills, knowledge and experience), and makes recommendations on adjustments to the Board of Directors to be made in line with the Bank's strategy.

The roles and duties of the Chairman of the Board of Directors and the president are taken up by different individuals. There is a clear division of responsibilities in compliance with requirements and recommendations of the regulatory provisions and the Stock Exchange Listing Rules.

(III) Meetings of the Board of Directors

During the Reporting Period, the Bank convened 19 meetings of the Board of Directors, among which six were held onsite and 13 were by written resolutions. 229 proposals including the 2020 Work Report of the Board of Directors, 2020 Work Report of the Operation and Management and the 2020 Annual Report were considered and approved, and six reports were reviewed.

Chapter VIII Corporate Governance Report

During the Reporting Period, the attendance of Directors at the meetings of the Board of Directors is as follows:

Name of Director	Type of Director	Number of meetings held during term of office	Actual attendance		Delegated attendance		Attendance
			Live meetings	Written circulation meetings	Live meetings	Written circulation meetings	
Wang Yaoqiu	Executive Director	19	6	13	0	0	100%
Fu Qiang	Executive Director	19	4	13	2	0	100%
Ye Jianguang	Executive Director	19	6	13	0	0	100%
Chen Wei	Executive Director	19	6	13	0	0	100%
Ye Yunfei ⁽¹⁾	Executive Director	4	0	3	1	0	100%
Lai Chun Tung	Non-executive Director	19	6	13	0	0	100%
Wang Junyang	Non-executive Director	19	6	13	0	0	100%
Cai Guowei	Non-executive Director	19	6	13	0	0	100%
Ye Jinquan	Non-executive Director	19	4	6	2	7	100%
Chen Haitai	Non-executive Director	19	5	13	1	0	100%
Zhang Qingxiang	Non-executive Director	19	6	13	0	0	100%
Chen Weiliang	Non-executive Director	19	4	13	2	0	100%
Yip Tai Him	Independent non-executive Director	19	5	13	1	0	100%
Xu Zhi	Independent non-executive Director	19	6	13	0	0	100%
Shi Wenfeng	Independent non-executive Director	19	6	13	0	0	100%
Tan Fulong	Independent non-executive Director	19	6	13	0	0	100%
Liu Yuou	Independent non-executive Director	19	6	13	0	0	100%
Xu Tingting	Independent non-executive Director	19	6	13	0	0	100%

Note:

(1) Resigned as Director with effect from March 2021.

(IV) Appointment, Re-election and Removal of Directors

According to the requirements of the Articles of Association of the Bank, the term of office of the Directors shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. Before the expiry of the term of office, the Shareholders' general meeting shall not dismiss any director without any reason. An independent non-executive Director may serve the Bank for not more than six years in aggregate.

Subject to the relevant laws, regulations and regulatory requirements, a Director whose term of office has not expired may be removed by an ordinary resolution at the Shareholders' general meeting (but such removal shall not cause prejudice to any claim which may be instituted by the Director under any contract).

The procedures for the appointment, re-election and removal of Directors of the Bank are set out in the Articles of Association of the Bank. The Nomination and Remuneration Committee of the Board of Directors reviews the qualification of each Director candidate and recommends suitable candidates to the Board of Directors. Upon approval of the nomination proposal of relevant candidates by the Board of Directors, it shall be submitted to the Shareholders' general meeting for consideration and approval. After consideration and approval at the Shareholders' general meeting, it shall be reported to the CBIRC for approval of eligibility. The term of office of Directors shall commence from the date of approval by the CBIRC till the expiry of the term of office of the current session of the Board of Directors.

(V) Responsibilities of Directors

During the Reporting Period, the Directors of the Bank strictly complied with laws, regulations, regulatory requirements, relevant domestic and overseas rules and the provisions of the Articles of Association of the Bank, and prudently, conscientiously and diligently performed their obligations and exercised their rights, actively participated in the Shareholders' general meeting, the meetings of the Board of Directors and its committees, kept abreast of the Bank's operation and management, treated all Shareholders fairly, and safeguarded the interests of the Bank and the Shareholders.

During the Reporting Period, the Bank carried out the annual performance evaluation of Directors by the Board of Supervisors, and submitted the evaluation results to the Shareholders' general meeting for consideration and approval.

During the Reporting Period, the independent non-executive Directors of the Bank did not raise any objections to the matters considered by the Board of Directors.

(VI) Implementation of Resolutions of the Shareholders' General Meeting by the Board of Directors during the Reporting Period

During the Reporting Period, the Board of Directors strictly implemented various proposals and resolutions considered and approved at the 2020 annual general meeting.

(VII) Composition of Committees under the Board of Directors and their Performance of Duties

During the Reporting Period, the Board of Directors had six committees including the Strategic Decision and Sannong Committee, the Comprehensive Risk Management Committee, the Nomination and Remuneration Committee, the Related Party Transaction Control Committee, the Audit Committee and the Consumer Rights Protection Committee. In 2021, the six specialized committees under the Board of Directors of the Bank exercised their powers independently, compliantly and effectively in accordance with laws, and convened a total of 55 meetings throughout the year, at which 283 proposals including strategic planning, remuneration appraisal, comprehensive risk management, internal control, connected transactions and consumer rights protection were considered. The committees heard 8 reports and maintained communication with the management, and gave full play to their roles in assisting the Board of Directors in making scientific decisions.

The members and attendance of the committees under the Board of Directors are as follows:

Name of Director	Strategic Decision and Sannong Committee		Comprehensive Risk Management Committee		Nomination and Remuneration Committee		Related Party Transaction Control Committee		Audit Committee		Consumer Rights Protection Committee ⁽¹⁾	
	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance
Executive Director												
Wang Yaoqiu	Chairman	15/15		-		-		-		-		-
Fu Qiang	Member	15/15		-		-		-		-	Chairman	4/4
Ye Jiangang		-	Chairman	10/10		-	Member	15/15		-		-
Chen Wei		-		-		-		-		-		-
Ye Yunfei (Resigned as Director in March 2021)		-		-		-		-		-		-
Non-executive Director												
Lai Chun Tung	Member	15/15		-		-		-		-		-
Wang Junyang	Member	15/15	Member	10/10		-		-		-		-
Cai Guowei		-		-		-		-		-	Member	4/4
Ye Jinqun		-		-	Member (former) ⁽²⁾	2/3		-		-		-
Chen Haitao	Member	15/15		-		-		-		-	Member	4/4
Zhang Qingxiang		-	Member (former) ⁽¹⁾	9/9		-		-		-		-
Chen Weiliang		-		-		-		-	Member	7/7		-

Name of Director	Tenure of the committee											
	Strategic Decision and Sannong Committee		Comprehensive Risk Management Committee		Nomination and Remuneration Committee		Related Party Transaction Control Committee		Audit Committee		Consumer Rights Protection Committee ⁽¹⁾	
	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance
Independent Non-executive Director												
Yip Tai Him	-	-	-	-	Chairman	4/4	-	-	-	-	-	-
Xu Zhi	-	-	Member	10/10	Member ⁽²⁾	1/1	-	-	Chairman	7/7	-	-
Shi Wenfeng	-	-	-	-	Member (former) ⁽²⁾	3/3	-	Chairman	15/15	-	-	-
Tan Fulong	-	-	-	-	Member (former) ⁽²⁾	3/3	-	Member	15/15	-	Member ⁽³⁾	1/1
Liu Yuou	-	-	-	-	-	-	-	Member	15/15	Member	7/7	-
Xu Tingting	-	-	-	-	Member ⁽²⁾	1/1	-	-	Member	7/7	Member (former) ⁽³⁾	3/3

Notes:

- (1) Prusuant to the relevant resolution of the Board, Zhang Qingxiang has ceased to serve as a member of the Comprehensive Risk Management Committee since November 30, 2021. Between December 1, 2021 and December 31, 2021, the Comprehensive Risk Management Committee held 1 meeting.
- (2) Prusuant to the relevant resolution of the Board, Ye Jinqun, Shi Wenfeng and Tan Fulong have ceased to serve as members of the Nomination and Remuneration Committee since November 30, 2021, and were replaced by Xu Zhi and Xu Tingting. Between December 1, 2021 and December 31, 2021, the Nomination and Remuneration Committee held 1 meeting.
- (3) Prusuant to the relevant resolution of the Board, Xu Tingting has ceased to serve as a member of the Consumer Rights Protection Committee since November 30, 2021, and was replaced by Tan Fulong. Between December 1, 2021 and December 31, 2021, the Consumer Rights Protection Committee held 1 meeting.

1. Strategic Decision and Sannong Committee

The Strategic Decision and Sannong Committee consists of executive Directors and non-executive Directors, namely Mr. Wang Yaoqiu (chairman), Mr. Fu Qiang, Mr. Lai Chun Tung, Mr. Wang Junyang and Mr. Chen Haitao. The primary duties of the Strategic Decision and Sannong Committee include:

- (1) to determine the operation and management goals and long-term development and strategic plans of our Bank;
- (2) to consider and propose major investment and financing proposals that are subject to the approval of the Board of Directors according to the Articles of our Bank;
- (3) to consider and propose major capital activities and asset operation that are subject to the approval of the Board of Directors according to the Articles of our Bank;
- (4) to consider and propose other important matters significant to the development of our Bank;
- (5) to supervise and review the implementation of the annual operation plan and investment proposals of our Bank;
- (6) to devise strategies for promoting green credit of the Bank, review its objectives and reports from the senior management before submission to the Board of Directors for consideration and approval;
- (7) to formulate business development strategies and plans for Sannong business in accordance with the Sannong development policies introduced by the government and regulatory authorities; to review annual resources allocation plans for Sannong business, and to evaluate and supervise the implementation of such plans by the senior management;
- (8) to supervise the formulation of Sannong business plan and related systems;
- (9) to supervise the development of new financial services and products for Sannong business;
- (10) to deal with other matters as authorized by the Board of Directors.

In 2021, the Strategic Decision and Sannong Committee held 15 meetings, at which 73 proposals were considered and approved, and the committee conducted in-depth research on development planning, the “133” project of rural revitalization financial services, business plans, green credit and Sannong financial services. The Strategic Decision and Sannong Committee held two symposiums with Sannong enterprises to know about the development of Sannong.

2. Comprehensive Risk Management Committee

The Comprehensive Risk Management Committee consists of executive Directors, non-executive Directors and independent executive Directors, namely Mr. Ye Jianguang (chairman), Mr. Wang Junyang and Mr. Xu Zhi. The primary duties of the Comprehensive Risk Management Committee include:

- (1) to study and adopt the economic and financial directions, policies, laws, regulations and rules of the government, the regulatory framework of the regulating authorities, and to provide guidelines on the establishment of comprehensive risk management system, risk strategies and general risk management policies of our Bank;
- (2) to engage intermediaries to review the risk management of our senior management at operational level in respect of credit, market, operation, liquidity, legal compliance, information technology, reputation and other aspects of our Bank on a regular basis as authorized by the Board of Directors;
- (3) to conduct regular assessment of the overall status and effectiveness of the risk management of our Bank and to propose suggestions for improving risk management and internal control of our Bank;
- (4) to supervise the senior management to take necessary measures to effectively identify, evaluate, monitor and control/mitigate risks in accordance with the regulatory requirements and the risk management requirements of our Bank;
- (5) to ensure that the risk management system of our Bank is effectively reviewed and supervised by the internal audit department;
- (6) to review the asset and liability management policies of our Bank and its implementation;
- (7) to organize and give guidance on risk prevention as authorized by the Board of Directors;
- (8) to have regular individual discussion with the compliance manager and adopt other effective means to understand the implementation of compliance policies and the problems arising therefrom, provide opinions and recommendation on a timely basis to the Board of Directors or the senior management and supervise the effective implementation of compliance policies;
- (9) to deal with other matters as authorized by the Board of Directors.

In 2021, the Comprehensive Risk Management Committee held 10 meetings, at which 68 proposals were considered and approved, and the committee conducted research on risk management strategies, comprehensive risk management and internal control management.

3. Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of independent non-executive Directors, namely Mr. Yip Tai Him (chairman), Mr. Xu Zhi and Ms. Xu Tingting. The primary duties of the Nomination and Remuneration Committee include:

- (1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors annually and make recommendations on any proposed changes to the Board of Directors to complement our corporate strategy.
- (2) to determine the procedures and criteria for selection and election of Directors and senior management, and to identify and recommend qualified candidates for Directors and senior management.
- (3) to conduct preliminary assessment on the qualifications and terms for the appointment of Directors and senior management and provide opinions to the Board of Directors;
- (4) to make recommendations to the Board of Directors on the remuneration policy and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (5) to review the assessment criteria for performance of Directors and senior management and the remuneration packages (including benefits in kind, pension rights and compensation payments, such as any compensation payable for loss or termination of their office or appointment), to make recommendations to the Board of Directors, and to supervise its implementation, provided that no Director or its associate shall participate in determining his/her own salary.
- (6) to review the remuneration management system and policy of our Bank. The remuneration management system includes the basic remuneration system, remuneration management system etc. within the scope of the Bank's system, but excludes assessment plans.
- (7) to deal with other matters in relation to the duties of the committee as required by laws and regulations or as authorized by the Board of Directors.

In 2021, the Nomination and Remuneration Committee held four meetings, at which 22 proposals were considered and approved, and the committee conducted research on the overall business assessment system, the annual budget and allocation of remuneration of senior management, the diversity of the Board of Directors as well as the assessment mechanism for consumer rights protection.

For the Director nomination process of the Bank, please refer to the "IV. COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS – (IV) Appointment, Re-election and Removal of Directors" section in this "Corporate Governance Report" chapter. For details of the diversity policy of the Board of Directors, please refer to the "IV. COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS – (II) Composition of the Board of Directors" section in this "Corporate Governance Report" chapter.

4. Related Party Transaction Control Committee

The Related Party Transaction Control Committee consists of executive Directors and independent non-executive Directors, namely Mr. Shi Wenfeng (chairman), Mr. Ye Jianguang, Mr. Tan Fulong and Ms. Liu Yuou. The primary duties of the Related Party Transaction Control Committee include:

- (1) to implement and manage the policies regarding related party transactions;
- (2) to promptly review related party transactions and to provide opinions accordingly;
- (3) to control the risks of related party transactions;
- (4) to deal with other matters in relation to the duties of the committee as required by laws and regulations or as authorized by the Board of Directors.

In 2021, the Related Party Transaction Control Committee held 15 meetings, at which 67 proposals were considered and approved, and the committee conducted research on the related party management and related party transaction management.

5. Audit Committee

The Audit Committee consists of non-executive Directors and independent non-executive Directors, namely Mr. Xu Zhi (chairman), Mr. Chen Weiliang, Ms. Liu Yuou and Ms. Xu Tingting. The primary duties of the Audit Committee include:

- (1) to review the financial and accounting policies, financial position and financial reporting procedures of our Bank and their implementation;
- (2) to review the risk and compliance conditions of our Bank;
- (3) to review and supervise the integrity of the financial statements, annual reports, audited annual financial reports and accounts, interim reports and quarterly report (if published) of our Bank; to review significant financial reporting judgments contained in them; to determine and report on the truthfulness, completeness and accuracy of the information set out in the audited financial reports; and to decide on whether the same should be submitted to the Board of Directors;
- (4) to liaise with the Board of Directors and senior management and meet, at least twice a year, with the external auditors of our Bank;
- (5) to review the relevant reports before submission to the Board of Directors, with particular focus on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) going concern assumptions and any qualifications; (v) compliance with accounting standards; and (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and to consider any significant or unusual items that shall reflect, or may need to be reflected, in the report and accounts, with due consideration given to any matters that have been raised by our staff responsible for the accounting and financial reporting function, internal audit or auditors;
- (6) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response; and to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditor's management letter;
- (7) to approve the internal audit regulations, medium-to-long-term audit plans and annual audit plans;

- (8) to submit regular audit reports to the Board of Directors as well as the senior management and the Board of Supervisors;
- (9) to supervise the implementation of remedial measures by the senior management for issues identified during audit and the implementation of audit recommendations;
- (10) to review objections on the audit conclusion raised by the audit subject department;
- (11) to make suggestions to the Board of Directors to hold the internal audit manager and the person-in-charge accountable;
- (12) to make recommendations to the Board of Directors on the appointment, re-appointment, removal or replacement of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to handle any issue in relation to the resignation or removal of such external auditor;
- (13) to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards; and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (14) to develop and implement policy on engaging an external auditor, including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally, to supply non-audit services; and report to the Board of Directors, identifying and making recommendations on any matters where action or improvement is needed;
- (15) to supervise the establishment and implementation of the internal audit system of our Bank and to review the financial information of our Bank and its disclosure;
- (16) to review arrangements that employees of our Bank can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (17) to establish a whistleblowing policy and system for employees and those who deal with our Bank (e.g., customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to our Bank;
- (18) to act as the key representative body for overseeing our relations with the external auditor, responsible for the communication between internal audit and external auditor and to monitor their relationship; ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within our Bank, and to review and monitor its effectiveness;
- (19) to review the financial control, risk management and internal control system of our Bank;
- (20) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, which should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Bank's accounting and financial reporting function;
- (21) to consider major investigation findings on risk management and internal control matters as delegated by the Board of Directors or on its own initiative and management's response to these findings;

- (22) to report to the Board of Directors on the matters under paragraph D.3 of the Corporate Governance Code under the Listing Rules; and
- (23) to consider other topics as defined by the Board of Directors and to deal with other matters as authorized by the Board of Directors.

In 2021, the Audit Committee held seven meetings, at which 35 proposals were considered and approved. The committee regularly reviewed financial reports and internal and external audit reports, supervised and verified the authenticity, accuracy and timeliness of financial report information, and grasped the problems discovered in internal audit in a timely manner. By continuously strengthening communication with internal and external audit function, the committee promoted the formation of an effective communication mechanism between internal and external audit, attached great importance to the construction of the “sky-eye” audit system, and continued to promote intelligent auditing.

In accordance with the requirements of the Administrative Measures for the Audit of Annual Financial Statements of the Bank, during the Reporting Period, the Audit Committee performed the following duties during the preparation and review of the 2021 annual report:

- (1) The Audit Committee held a symposium with the statutory accounting firm, listened to the report on the operation of the Bank in 2021, communicated about the work in the audit and the progress of the audit, reviewed the financial and accounting statements of the Group, and formed written opinions on the above matters.
- (2) Before the convening of the meeting of the Board of Directors, the Audit Committee reviewed the 2021 annual report of the Bank, and agreed to submit it to the Board of Directors for review.

6. Consumer Rights Protection Committee

The Consumer Rights Protection Committee consists of executive Directors, non-executive Directors and independent non-executive Directors, namely Mr. Fu Qiang (chairman), Mr. Cai Guowei, Mr. Chen Haitao and Mr. Tan Fulong. The primary duties of the Consumer Rights Protection Committee include:

- (1) to report to the Board of Directors on consumer rights protection related matters periodically;
- (2) to oversee the establishment and enhancement of consumer rights protection system to ensure that the relevant policies are consistent with our corporate governance, corporate culture development and operational development strategy;
- (3) to supervise the implementation of consumer rights protection related works by the senior management and consumer rights protection department in accordance with regulatory requirements, our strategies and policies and fulfillment status of our objectives;
- (4) to convene consumer rights protection working meetings and to approve the work report by senior management and consumer rights protection department;
- (5) to deal with other matters as authorized by the Board of Directors or as required by the relevant regulatory requirements.

In 2021, the Consumer Rights Protection Committee held four meetings, at which 18 proposals were considered and approved, and the committee conducted research on the consumer financial protection work plan and the construction of the consumer rights protection system.

(VIII) Performance of the Independent Non-executive Directors during the Reporting Period

Pursuant the Articles of Association, the independent non-executive Directors of the Bank shall represent at least one-third of the Board of Directors. The chairmen of the Related Party Transaction Control Committee and the Audit Committee, the Nomination and Remuneration Committee of the Board of Directors are all served by independent non-executive Directors. As at the end of the Reporting Period, the Board of Directors comprised of six independent non-executive Directors, and the qualifications, number and proportion of independent non-executive Directors met regulatory requirements. The Bank has received the annual confirmation letter of independence from each independent non-executive Director, and considers that all independent non-executive Directors have complied with the relevant guidelines set out in Rule 3.13 of the Listing Rules, and are independent persons.

During the Reporting Period, the independent non-executive Directors of the Bank actively performed their duties, participated in the general meeting and meetings of the Board of Directors and its special committees, considered relevant proposals, listened to reports, and expressed independent opinions on major issues.

(IX) Continuous Professional Development Plan of Directors

During the Reporting Period, the Bank attached great importance to the continuous training of Directors, organized Directors to successively participate in trainings of middle and senior cadres including corporate governance training and the “Indigo Plan (靛青計劃)” to study regulatory policies, industry development, regional economy, etc., effectively broadened their macro decision-making vision and improved the performance capability of Directors.

Details of the main trainings and researches attended by the Directors during the Reporting Period are as follows:

Major Trainings

- 2021 “Internal Control and Compliance Management Construction Year” Special Presentation and Anti-Money Laundering Training Conference (participating Directors: Wang Yaoqiu, Fu Qiang, Ye Jianguang, Chen Wei)
- “Indigo Plan” Middle and High-Level Cadre Management Seminar (participating Directors: Ye Jianguang, Zhang Qingxiang, Chen Weiliang, Yip Tai Him, Xu Zhi, Shi Wenfeng, Tan Fulong, Liu Yuou, Xu Tingting)
- Training for external Directors and Supervisors (participating Directors: Lai Chun Tung, Wang Junyang, Cai Guowei, Ye Jinqun, Chen Haitao, Zhang Qingxiang, Chen Weiliang, Yip Tai Him, Xu Zhi, Shi Wenfeng, Tan Fulong, Liu Yuou, Xu Tingting)

Major Studies

- Went to Wanjiang, Donglian and Nancheng and other sub-branches to conduct field study on grid management
- Went to Daojiao Town, Wangniudun Town, Fenggang Town and other areas to study work on rural revitalization financial services
- Studied and provided guidance for the head office departments such as the Board Office, Corporate Business Department, and Digital Finance Department
- Went to Houjie, Gaobu, Wanjiang and other sub-branches to study their on business management

V. COMPOSITION AND OPERATION OF THE BOARD OF SUPERVISORS

(I) Responsibilities and Duties of Supervisors

During the Reporting Period, the Supervisors of the Bank strictly abided by the requirements of laws, regulations, regulatory provisions, relevant rules domestically and internationally and the Articles of Association of the Bank, performed their obligations and exercised their rights in a prudent, conscientious and diligent manner, actively participated in the general meetings, the meetings of the Board of Supervisors and the committees thereunder, and understood and supervised the performance of the Board of Directors and senior management of the Bank and the financial performance, internal control and risk management of the Bank in a timely manner, so as to safeguard the interests of the Bank and its Shareholders.

During the Reporting Period, the attendance of the Supervisors is set out as follows:

Name of Supervisor	Class of Supervisor	Number of actual attendance/number of meetings held				
		Meetings of the Board of Supervisors	Committees under the Board of Supervisors			
			Nomination Committee		Supervisory Committee	
			Position	Attendance	Position	Attendance
Chen Sheng	Employee Supervisor	8/8	Member	7/7	-	
Deng Yanwen	Employee Supervisor	8/8	Member	7/7	-	
Liang Zhifeng	Employee Supervisor	8/8	-		Member	5/5
Wu Lixin	Employee Supervisor	8/8	-		Member	5/5
Lu Chaoping	Shareholder Representative Supervisor	7/8	-		-	
Wang Zhujin	Shareholder Representative Supervisor	7/8	-		-	
Liang Jiepeng	Shareholder Representative Supervisor	8/8	-		-	
Zou Zhibiao	Shareholder Representative Supervisor	8/8	-		-	
Wei Haiying	External Supervisor	7/8	Member	7/7	-	
Yang Biao	External Supervisor	8/8	Chairman	7/7	-	
Zhang Bangyong	External Supervisor	8/8	-		Chairman	5/5
Mai Xiuhua	External Supervisor	8/8	-		Member	5/5

(II) Committees under the Board of Supervisors and Their Performance

During the Reporting Period, the Board of Supervisors has established two committees, namely the Nomination Committee and Supervisory Committee. In 2021, the Board of Supervisors of the Bank has established two special committees to legally exercise their functions and powers in an independent, compliance and effective manner. A total of 12 meetings were held during the year to consider 45 proposals regarding performance evaluation, supervision and inspection. These committees have earnestly performed their responsibilities, promoted the supervision of the procedures in an orderly and steady manner, and fully exerted the role of assisting the Board of Supervisors in the diligent performance of their duties.

1. Nomination Committee

The Nomination Committee consists of external Supervisors and employee representative Supervisors, namely Mr. Yang Biao (楊彪先生) (chairman), Mr. Chen Sheng (陳勝先生), Ms. Wei Haiying (衛海英女士) and Ms. Deng Yanwen (鄧燕雯女士). The primary duties of the Nomination Committee include:

- (1) to formulate the procedures and criteria of selection of Supervisors, conduct preliminary review of the qualification and conditions of candidates for Supervisors and to make recommendation to the Board of Supervisors;
- (2) to supervise the selection and appointment of Directors;
- (3) to conduct comprehensive evaluation of the performance of Directors, Supervisors and senior management and to report the results to the Board of Supervisors;
- (4) to review the objectivity and reasonableness of the remuneration systems and policies of the Bank and the remuneration packages for senior management;
- (5) to deal with other matters as authorized by the Board of Supervisors.

In 2021, the Nomination Committee held 7 meetings at which 12 proposals have been considered and approved, and conducted in-depth research on the performance evaluation, the remuneration management system and policies of the Bank and the compensation proposal of senior management.

2. Supervisory Committee

The Supervisory Committee consists of external Supervisors and employee representative Supervisors, namely Mr. Zhang Bangyong (張邦永先生) (chairman), Ms. Mai Xiuhua (麥秀華女士), Mr. Wu Lixin (伍立新先生) and Mr. Liang Zhifeng (梁志鋒先生). The primary duties of the Supervisory Committee include:

- (1) to formulate the supervision proposal with respect of financial activities of the Bank and to conduct related inspection;
- (2) to supervise the development of prudent business philosophy and values as well as strategies by the Board of Directors according to the conditions of the Bank;
- (3) to supervise and inspect the business decision-making, risk management and internal control;
- (4) to deal with other matters as authorized by the Board of Supervisors.

In 2021, the Supervisory Committee held 5 meetings at which 33 proposals have been considered and approved, and researched on the business decision-making, risk management and internal control of the Bank.

(III) Duty Performance of External Supervisors during the Reporting Period

The Articles of Association stipulates that the Bank shall have four external Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all served by external Supervisors.

During the Reporting Period, the Bank's external Supervisors actively performed their duties, participated in the general meeting and meetings of the Board of Supervisors and its special committees, attended relevant important meetings, participated in a series of work such as supervision, inspection and research, and put forward reasonable opinions and suggestions in a timely manner, which effectively promoted the compliance and legal operation of the Bank.

VI. COMPOSITION AND WORK REPORT OF SENIOR MANAGEMENT

(I) Composition of Senior Management

The senior management of the Bank consists of 1 president and 3 vice presidents.

At the senior management level, the Bank has established the Assets and Liabilities Management Committee (資產負債管理委員會), Financial Management Committee (財務管理委員會), Product Innovation Committee (產品創新委員會), Loans Review Committee (貸款審查委員會), Proprietary Trading and Investment Decision Committee (資金交易與投資決策委員會), Non-performing Asset Management Committee (不良資產管理委員會), Budget Management Committee (全面預算管理委員會), Information Technology Management Committee (信息科技管理委員會), Comprehensive Risk Management Execution Committee (全面風險管理執行委員會), Consignment Asset Management Products Decision Committee (代銷資產管理產品決策委員會), Procurement and Tendering Management Committee (採購與招標管理委員會) and Emergency Response Management Committee (突發事件應對管理委員會), each committee is under operation independently according to relevant functions.

(II) Responsibilities and Duties of Senior Management

The senior management of the Bank shall be accountable to the Board of Directors and supervised by the Board of Supervisors in accordance with the Articles of Association. The senior management shall carry out operation and management in accordance with the Articles of Association and the authorization of the Board of Directors to ensure that the operation of the Bank is in line with the development strategies, risk preference and other policies of the Board of Directors.

The operation and management activities of the senior management within their terms of reference shall not be interfered. Senior management shall exercise, including but not limited to, the following functions and rights: to manage the business operation of the Bank, organize the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors; to submit business plan and investment plan to the Board of Directors, and to organize the implementation upon approval by the Board of Directors; to prepare plans for the establishment of the internal management structure of the Bank; to establish the basic management system of the Bank; to formulate detailed regulations of the Bank; to determine the reward and punishment of employees of the Bank; and other functions and rights that should be exercised in accordance with laws, regulations, rules and the Articles of Association or granted by the Board of Directors.

VII. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors has established and implemented the comprehensive risk management and internal control system in accordance with the Guidelines for the Comprehensive Risk Management of Banking Financial Institutions, the Guidelines for Internal Control of Commercial Banks and other laws and regulations, as well as the relevant requirements of the Hong Kong Stock Exchange, and is responsible for reviewing the effectiveness of relevant systems in a timely manner.

In 2021, in combination with regulatory requirements and the actual corporate condition, the Bank formulated the Risk Management Strategic Plan for 2021-2023 as the basis for the implementation of the Bank's risk strategic plan, put forward the key points of risk management plan from the aspects of major risk lines, important business segments, digital transformation and group management, and took the construction and application of risk preference system as the core of promotion of comprehensive risk management. Every year, the Bank would, based on its own risk tolerance degree, make assessment on the Bank's risk management capability and risk management level during the prior year, assess the adaptability of risk preference system and business development scale, review the risk preference system, and formulate the annual risk preference statement so as to abide by risk appetite positioning of the Group corresponding to the long-term sustainable development, growth of profitability and scale expansion. During the Reporting Period, the Bank proactively responded to the new financial forms and new regulatory requirements, continued to strengthen the control of risks, regularly carried out comprehensive risk management evaluation, evaluated the overall risk management capability, risk management conditions, internal and external obstacles and risk management strategies in the next stage, and reported to the senior management and the Board of Directors.

In accordance with relevant regulations and guidelines and under the guidance of the Audit Committee of the Board of Directors, the Bank organized and carried out the internal control evaluation in 2021, evaluated the safety, rationality and effectiveness of the Bank's internal control design and operation centering on five elements including internal control environment, risk identification and evaluation, internal control measures, information exchange and feedback as well as supervision, evaluation and rectification. Upon review by the Board of Directors, the comprehensive risk management and internal control system established and implemented by the Bank was sufficient and effective, and no major deficiency in internal control were found during the Reporting Period.

For details of the Bank's risk management and internal control, please refer to the "Risk Management" section in the "Management Discussion and Analysis" chapter of this report.

Since the comprehensive risk management and internal control system is to manage rather than eliminate the risk of failure to achieve business objectives, the Board of Directors can only make reasonable rather than absolute assurance that there would be no material misstatement or loss.

VIII. INSIDE INFORMATION MANAGEMENT

The Bank attached great importance to the inside information management, strictly followed the regulatory requirements, strengthened the inside information management, regularized the disclosure of relevant information in a timely manner, and revised the Administrative Measures for the Information Disclosure of Dongguan Rural Commercial Bank Co., Ltd. (2021 Version) in accordance with the relevant regulatory provisions to further clarify the scope of inside information, confidentiality measures, approval process, release form, division of responsibilities and duties, accountability and evaluation, strengthen the management of insider information and insiders, striving to ensure the authenticity, accuracy, timeliness, completeness and fairness of information disclosure, and protect the legitimate interests of the Shareholders. During the Reporting Period, there was no leakage of inside information of the Bank.

IX. MANAGEMENT OF CONSOLIDATED ENTITIES

(I) Organizational Structure of Management of Consolidated Entities

The organizational structure of management of consolidated entities of the Bank consists of the Board of Directors, the Board of Supervisors, senior management and relevant functional departments. The Board of Directors formulates the management policies of consolidated entities and includes the group-wide management into development strategies. The Board of Supervisors continuously supervise the operation of the management mechanism of consolidated entities of the Group. The senior management of the Bank is responsible for promoting the implementation of management policies of consolidated financial statements, urging functional departments to continuously improve different lines of management of consolidated entities, and regularly report the management of consolidated entities to the Board of Directors. During the Reporting Period, consolidated entities of the Bank included Zhanjiang RCB, Chaoyang RCB, Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank and Hezhou Babu Dongying County Bank.

(II) Main Measures for Management of Consolidated Entities

1. *Management mechanism and system of consolidated entities.* During the Reporting Period, the Bank has formulated or revised the Administrative Measures for Consolidated Financial Statements, the Administrative Measures for Liquidity Risks of Consolidated Financial Statements, the Capital Administrative Measures for Consolidated Financial Statements, the Administrative Measures for Regular Reporting of Subsidiaries (附屬機構常規事項報送管理辦法), etc., and perfected the management mechanism and system of consolidated entities.

2. *Management of consolidated financial statements of the Group.* In accordance with relevant requirements of the accounting standards, the Bank consolidated and offset the accounting entities through the financial ledger system and manual accounts to ensure the accuracy of the consolidation of the Group's financial (accounting) statements.
3. *Consolidated management capital of the Group.* The Bank has formulated the capital planning of the Group, actively carried out capital replenishment, and disclosed the Group's consolidated capital adequacy ratio as required. During the Reporting Period, the capital of consolidated financial statements of the Group was adequate, and comply with regulatory requirements.
4. *Internal transaction management.* During the Reporting Period, the internal transactions between the Bank and its subsidiaries were free from improper transfer of interests, infringement of the interests of Shareholders or consumption interests of customers, and there was no major internal transactions.
5. *Risk management of the Group.* During the Reporting Period, the Group promoted the comprehensive risk management mechanism, improved the Group's risk management policies, set up the risk limit of the Group, carried out on-site business inspection and off-site monitoring of subsidiaries, and continuously enhanced the risk management capability of each business line. The Bank improved the internal firewall system of the Group step by step, identified the individual and overall risks of subsidiaries, perfected the liquidity support policies of the Group, and prevented the trans-institutional transmission of financial risks within the Group.

X. DIRECTORS' RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements of 2021, International Financial Reporting Standards (IFRSs) have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

XI. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the Shareholders' resolution passed on the Shareholders' meeting, in connection with the Listing, the current Articles of Association of the Bank has been adopted with effect on the Listing Date.

XII. COMPANY SECRETARIES

Mr. Ye Jianguang and Mr. Wong Wai Chiu served as the joint company secretaries of the Bank, and the main internal contact person of Mr. Wong Wai Chiu in the Bank is Mr. Ye Jianguang, who is also an executive Director, a vice president, the chief risk officer and secretary to the Board of Directors. Each Director can discuss, consult with and acquire data from the company secretaries. Both Mr. Ye Jianguang and Mr. Wong Wai Chiu confirmed that they had complied with the requirements of the Listing Rules and received relevant professional training for at least 15 hours during the Reporting Period.

XIII. AUDITORS AND THEIR COMPENSATION

As considered and approved at the 2020 annual general meeting, PricewaterhouseCoopers and Pan-China Certified Public Accountants LLP were re-appointed as the international and domestic auditors of the Bank for the year of 2021, respectively, for a term until the conclusion of the 2021 annual general meeting of the Bank. There has been no change in the auditors of the Bank in the preceding three years.

The 2021 annual financial statements prepared by the Bank in accordance with the International Financial Reporting Standards have been audited by PricewaterhouseCoopers who issued standard unqualified audited report; and the 2021 annual financial statements prepared by the Bank in accordance with the PRC Accounting Standards for Business Enterprises have been audited by Pan-China Certified Public Accountants LLP who issued standard unqualified audited report.

An analysis of the remuneration paid/payable to the external auditors by the Group, in respect of audit services and other services for the year ended December 31, 2021 is set out below:

(Unit: RMB)

Service	PricewaterhouseCoopers	Pan-China Certified Public Accountants LLP
Annual audit services	3,900,000	2,189,800
Non-audit services	250,000	1,138,858
Total	4,150,000	3,328,658

During the Reporting Period, the 2021 financial report of the Group prepared in accordance with the International Financial Reporting Standards was audited by PricewaterhouseCoopers, and the total audit fee was RMB3.9 million. The 2021 annual financial report of the Group prepared in accordance with the PRC Accounting Standards for Business Enterprises was audited by Pan-China Certified Public Accountants LLP (including auditing of financial reports of our subsidiaries), and the total audit fee was RMB2.19 million.

During the Reporting Period, PricewaterhouseCoopers and its group member provided the Group with non-audit tax consulting services at the fee of RMB0.25 million. The fees for non-audit services provided by Pan-China Certified Public Accountants LLP to the Group totaled RMB1.14 million, of which mainly relates to information disclosure consulting services.

XIV. CORPORATE CULTURE

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank firmly created the Dongguan Rural Commercial Bank culture that responds to the trend of the times and highlights its own characteristics, and proposed to build a "six in one" core culture covering business philosophy, management criteria, corporate atmosphere, corporate purpose, core values and entrepreneurial spirit, providing strong spiritual impetus for the transformation and upgrading of the Bank.

Keeping a tight hold on operation and management and upholding the core cultural concept, the Bank has further diversified and built the customer-oriented service culture, marketing culture of "comparison, learning, catching up, and surpassing", incorruptibility and self-discipline culture, steady and prudent risk culture, and home culture of care and unity, so as to unify the value consensus and code of conduct of the staff, guide and encourage the cadres and employees to forge ahead, consolidate the everlasting cultural foundation of the Bank.

XV. WHISTLE BLOWING AND ANTI-CORRUPTION

Online and offline dual-line establishment and improvement of complaint reporting channels. Firstly, the Bank, through the official website, internal office system and other main channels, provides email and anti-commercial bribery whistle blowing telephone, together with the internal whistle blowing incentive mechanism, customers and employees are encouraged to supervise and report suspected corruption, and fully exert the supervision and restraint power of the community and employees. Secondly, the Bank established a visit-day working mechanism for the Discipline Committee every month, and accepted the supervision of employees and customers. In addition, the Bank innovated and launched employee abnormal behavior evaluation, collected clues of abnormal behavior of employees through offline anonymity, further strengthened the supervision atmosphere of employee behavior, and improved the deterrence of corruption and other violations.

Establishment of sound anti-corruption related systems and mechanisms. Firstly, the Bank formulated the annual work plan for party conduct, clean governance and anti-corruption, deeply analyzed the current situation and formulated targeted work plans, and promoted the system and mechanism where no one dares to corrupt, no one or can be corrupted and no one can think of committing corruption. Secondly, the Bank has formulated the Implementation Rules for the Handling of Employees' Non-compliance of Dongguan Rural Commercial Bank Co., Ltd.(2019 Version), and those who violated relevant requirements of business integrity will be held accountable.

XVI. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the period from the Listing Date up to the end of the Reporting Period, the Bank adopted and complied with all the applicable code provisions of the Corporate Governance Code.



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■ **Chapter IX**
Report of
the Board
of Directors



The Board of Directors hereby presents the report of the Board of Directors and the audited financial report of the Group for the year ended December 31, 2021.

I. BUSINESS REVIEW

(I) Principal activities

The primary business scope of the Group includes: taking deposits from the public (including domestic and foreign currency); extending short-term, medium-term and long-term loans (including domestic and foreign currency); effecting domestic and overseas payment settlements; accepting and discounting instruments; acting as the issuing agent, payment agent and underwriter of government bonds; trading government bonds and financial bonds; interbank placements (including domestic and foreign currency); bank cards (including credit cards) business; collecting and making payment as agents and acting as insurance agents; providing deposit box service; foreign currency remittance and foreign currency exchange; foreign exchange purchases and sales against Renminbi; acting as an agent for forward settlement and sales of foreign exchange; foreign credit investigations, advisory and attestation service; sales of securities investment funds; physical gold business and precious metal trading business; and other businesses approved by the CBIRC.

(II) Business Review

The Board of Directors has reviewed the business and operation of the Bank during the Reporting Period pursuant to the requirements of Schedule 5 to the Hong Kong Companies Ordinance. Please refer to the “Management Discussion and Analysis” chapter in this report for the discussion and analysis of financial performance, major risks and uncertainty factors and future development plans during the Reporting Period; please refer to the “Environmental, Social and Corporate Governance (ESG)” chapter in this report for the environmental protection policies and performance as well as the relationship with staff, customers, Suppliers and other stakeholders; and please refer to the “Other Matters” chapter in this report for significant events during and after the Reporting Period.

During the Reporting Period, the Bank conducted operation in compliance with laws with its decision-making procedures in line with laws, regulations and the Articles of Association of the Bank.

II. PROFITS AND DIVIDENDS

The Group’s operation results during the Reporting Period and financial condition as of the end of the Reporting Period are set out in the “Financial Report” chapter in this report.

(I) 2021 Profit Distribution Plan

The Bank proposed to provide 10% or RMB560 million of the audited net profit of the Bank for the year of 2021 as statutory surplus reserve, and provide 10% or RMB560 million of the net profit as general reserve to satisfy the requirements that the balance of general reserve shall not less than 1.5% of risk assets. Based on total share capital, cash dividends of RMB0.29 per share (tax inclusive) is proposed to be distributed. Remaining undistributed profit will be carried forward to next year. The above profit distribution plan is subject to the consideration and approval at the 2021 annual general meeting.

The final dividend, if approved by the Shareholders at the 2021 annual general meeting, is expected to be paid on or before 15 July 2022 and are denominated in Renminbi and will be paid to Domestic Shareholders in Renminbi H Shareholders in HK dollars, respectively. The dividend to be paid to H Shareholders in Hong Kong dollars will be converted at the average middle rate of Renminbi against Hong Kong dollars quoted by PBoC on the date of approval of such dividend at the 2021 Annual General Meeting and the four preceding business days.

Further details in relation to the distribution of the final dividend and the book closure arrangement will be announced in the circular of 2021 annual general meeting of the Bank.

(II) Profit Distribution in the Past Three Years

Item	2021		2020	2019
	Profit distribution for the year ⁽¹⁾	Special dividend ⁽²⁾		
Bonus shares for every share held (shares)	-	-	-	-
Shares issued on capitalization of surplus reserve for every share held (shares)	-	-	-	-
Distribution amount per share (tax inclusive, RMB)	0.29	0.15	0.26	0.26
Total cash dividend (tax inclusive, in millions of RMB)	1,997.68	861	1,493	1,493
Percentage of cash dividend to net profit attributable to the Shareholders of the Bank (%)	35.74	-	30.73	30.24

Notes:

- (1) The profit distribution plan for 2021 is subject to consideration and approval at the 2021 annual general meeting.
- (2) Pursuant to the resolution approved at the general meeting held on April 25, 2019, the Bank has distributed special dividend on September 22, 2021 in cash to the shareholders whose name appear on the register of the Bank on August 31, 2021.

There is no any arrangement under which a Shareholder has waived or agreed to waive any dividends.

(III) Profit Distribution Policy and Implementation Thereof

The Bank's profit distribution attaches great importance to reasonable investment returns to investors. Our profit distribution policy remains continuous and stable, taking into account the overall interests of all Shareholders and the sustainable development of the Bank. The after-tax profit of the Bank after appropriating the reserve fund and general reserve fund can be distributed in proportion to the Shares held by Shareholders in accordance with the profit distribution plan approved by the shareholders general meeting.

The Bank's dividend distribution complies with the provisions of the Articles of Association and the requirements of the resolutions of the general meeting of shareholders. The standard and proportion of dividends are clear, the decision-making procedures and mechanisms are sound and complete, with independent non-executive Directors expressing their opinions. Minority shareholders can fully express their opinions and demands, and their legitimate rights and interests are fully protected.

(IV) Taxation and Tax Relief

1. Domestic Shareholders

In accordance with the applicable provisions of the "Enterprise Income Tax Law of the People's Republic of China" and the "Individual Income Tax Law of the People's Republic of China" and its implementation rules, for individual Domestic Shareholders, the Bank will withhold and pay the individual income tax at the rate of 20% according to the national tax law, while for corporate Domestic Shareholders, the Bank will not withhold enterprise income tax and such corporate Domestic Shareholders should fulfill its own taxation reporting and payment obligation in accordance with the requirements of the national tax law.

2. H Shareholders

Corporate H Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the H Share register in the distribution of final dividend for 2021. Any H Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organisations and groups, will be treated as Shares held by non-resident enterprise Shareholders, and the dividends to be received will be subject to withholding of enterprise income tax.

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

Individual H Shareholders

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, the Notice on Issues Relating to Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No.348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (SAT Announcement [2019] No.35) (《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號)) (the "Tax Convention Announcement"), the Bank has responsibility to withhold and pay individual income tax on behalf of H Shareholders who is an individual in the distribution of final dividend for 2021. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions of the tax treaties between the countries (regions) in which they are domiciled and the PRC or the tax arrangements between the PRC and Hong Kong or Macau. Therefore, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into tax treaty with the PRC with a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;
- for individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC with a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified Shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;
- for individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC with a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

III. ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Further announcement will be made by the Bank on the details of the 2021 annual general meeting and closure of register of members of the Bank.

IV. SHARES ISSUED

The Bank issued 1,148,091,000 H Shares of RMB1.00 each (i.e. an aggregate nominal value of RMB1,148,091,000) at the offer price of HK\$7.92 per H Share under the Global Offering. After deducting the relevant Listing expenses, the net proceeds of approximately HK\$8.882 billion (i.e., net proceeds per share of HK\$7.73) has been used to replenish the Bank's core tier-one capital and thereby strengthening the capital base of the Bank.

V. DEBENTURES ISSUED AND REDEEMED

During the Reporting Period, as approved by the Decision of the People's Bank of China on Granting Administrative License (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 11), the Bank issued SME financial bonds 2021 (series one) and SME financial bonds 2021 (series two) with aggregate principal amounts of RMB2.0 billion and RMB1.0 billion and coupon rates of 3.58% and 3.52%, respectively, both payable annually and with a term of three years, on the inter-bank bond market in the PRC.

VI. SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's operating results, assets and liabilities for the last five years as of the end of the Reporting Period is set out in the "Highlights of Accounting Data and Financial Indicators" chapter in this report.

VII. DISTRIBUTABLE RESERVES

Details of the Group's distributable reserves during the Reporting Period are set out in the "Consolidated Statement of Changes in Equity" in the "Financial Report" chapter in this report.

VIII. DONATIONS

Charity and other donations made by the Bank during the Reporting Period totalled RMB8.60 million.

IX. PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the Reporting Period are set out in note 21 to the financial statements in the “Financial Report” chapter in this report.

X. RETIREMENT BENEFITS

Details of retirement benefits provided to employees by the Group during the Reporting Period are set out in note 31(a) to the financial report in the “Financial Report” chapter in this report.

The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at December 31, 2021, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

XI. MAJOR CUSTOMERS

As at the end of the Reporting Period, the balance of the Bank’s loans to any single borrower did not exceed 10% of the Bank’s net capital. The interest income from the five largest customers of the Bank did not exceed 30% of the Bank’s total interest income.

XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For details of Directors, Supervisors and senior management of the Bank during the Reporting Period, including the list of the Directors and changes thereof, interests of Directors and Supervisors in the transaction or arrangements or contracts, contractual interests and service contracts of Directors and Supervisors, please refer to the “Basic Information on Directors, Supervisors, Senior Management and Members of the Party Committee” section in the “Directors, Supervisors, Senior Management, Employees and Branches” chapter in this report.

XIII. MANAGEMENT CONTRACTS

During the Reporting Period, there was no management and administrative contract in respect of all or most of activities of the Bank being entered into by or existed in the Bank.

XIV. PERMITTED INDEMNITY PROVISION

The Bank has maintained appropriate liability insurance for Directors, Supervisors and senior management of the Bank in respect of legal litigation initiated against them arising from conduction of business activities of the Bank.

XV. EQUITY-LINKED AGREEMENT

Save for the over-allotment option granted as part of the Global Offering which lapsed on 21 October 2021, there was no equity-linked agreement in relation to the equity of the Bank entered into by the Bank or subsisting during the Reporting Period.

XVI. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Please refer to the “Rights to Acquire Securities of the Bank” section in the “Directors, Supervisors, Senior Management, Employees and Branches” chapter for details.

XVII. CORPORATE GOVERNANCE

Please refer to the “Corporate Governance Report” chapter of this report for details.

XVIII. RELATED PARTY TRANSACTIONS⁽¹⁾

(I) Related Party Transactions under the definition of CBIRC

During the Reporting Period, the Bank has 2,956 related party transactions with transaction amount of RMB4,936 million. Of which, the amount of credit was RMB4,930 million, the amount of non-credit was RMB5,724,800, including major related party transactions and general related party transactions. There were 58 major related party transactions with amount totalled RMB3,355 million and 2,898 general related party transactions with amount totalled RMB1,581 million. Among the above related party transactions, the Bank followed the commercial principle of fairness and impartiality and conducted at the condition no favorable than that to similar customers. Major related party transactions as considered and approved by the Board of Directors are as follows:

(Unit: RMB 0'000)

No.	Type of transaction	Related party	Amount	% of net capital	Business type	Profit/loss
1	Credit	Guangdong Hongyuan Group Co., Ltd. (廣東宏遠集團有限公司)	24,700.00	0.5918%	Loans	Normal
2	Credit	Dongguan Yingxing Industrial Investment Co., Ltd. (東莞市盈興實業投資有限公司)	10,550.00	0.2528%	Loans	Normal
3	Credit	Dongguan Yingjun Industrial Investment Co., Ltd. (東莞市盈君實業投資有限公司)	1,800.00	0.0431%	Loans	Normal
4	Credit	Guangdong Hongyuan Group Industry Development Co., Ltd. (廣東宏遠集團產業發展有限公司)	/	/	Adjustment and resolution	Normal
5	Credit	Dongguan Zhuorui Financing Guarantee Co., Ltd. (東莞市卓瑞融資擔保有限公司)	/	/	Bank guarantee cooperation	Normal
6	Credit	Dongguan Zhenxing Paper Co., Ltd. (東莞振興紙品有限公司)	19,400.00	0.4649%	Comprehensive credit	Normal
7	Credit	Dongguan Kunyang Hardware Machinery Trade Co., Ltd. (東莞市昆揚五金機械貿易有限公司)	7,850.00	0.1881%	Loans	Normal
8	Credit	Dongguan Yingfeng Land Development Co., Ltd. (東莞市盈豐房地產開發有限公司)	/	/	Adjustment and resolution	Normal
9	Credit	Dongguan Lasha Industrial Investment Co., Ltd. (東莞市喇莎實業投資有限公司)	7,500.00	0.1797%	Loans	Normal

- (1) The expressions of “connected party(ies)” and “connected transaction(s)” used in the Listing Rules are different from the expressions of “related party(ies)” and “related party transaction(s)” in Mainland China. For the convenience of wording, the expressions of “related party(ies)” and “related party transaction(s)” are uniformly used here.

No.	Type of transaction	Related party	Amount	% of net capital	Business type	Profit/loss
10	Non-credit	Dongguan Gaodi Human Resources Development Co., Ltd. (東莞市高地人才資源開發有限公司)	134.47	0.0032%	Provision of services	Normal
11	Credit	Chen Haofeng (陳浩峰)	5.00	0.0001%	Credit Card	Normal
12	Credit	Dongguan Haixia Decoration Co., Ltd. (東莞市海峽裝飾有限公司)	15,000.00	0.3430%	Loans	Normal
13	Credit	Dongguan City Xingye Refinancing Guarantee Co., Ltd. (東莞市興業融資擔保有限公司)	/	/	Bank guarantee cooperation	Normal
14	Credit	Dongguan City Garwin Group Co., Ltd. (東莞市嘉宏集團有限公司)	/	/	Adjustment and resolution	Normal
15	Credit	Dongguan Zhuorui Financing Guarantee Co., Ltd. (東莞市卓瑞融資擔保有限公司)	/	/	Bank guarantee cooperation	Normal
16	Credit	Dongguan Baochang Electromechanical Equipment Co., Ltd. (東莞市寶昌機電設備有限公司)	6,000.00	0.1372%	Loans	Normal
17	Credit	Dongguan Junyuedadi Development Co., Ltd. (東莞君悅大地發展有限公司)	/	/	Adjustment and resolution	Normal
18	Non-credit	Guangdong Hongyuan Basketball Club Co., Ltd. (廣東宏遠籃球俱樂部有限公司)	300.00	0.0069%	Others	Normal
19	Credit	Dongguan Zhenwen Paper Co., Ltd. (東莞市振文紙品有限公司)	5,000.00	0.1143%	Loans	Normal
20	Credit	Guangdong Grandee Investment Group Co., Ltd. (廣東君泰投資集團有限公司)	10,000.00	0.2286%	Loans	Normal
21	Credit	Guangdong Haide Group Co., Ltd. (廣東海德集團有限公司)	8,990.00	0.2056%	Loans	Normal
22	Credit	Guangdong Shenghui Construction Engineering Co., Ltd. (東莞市昇暉建設工程有限公司)	1,500.00	0.0343%	Loans	Normal
23	Credit	Dongguan Yuexing Construction Co., Ltd. (東莞市粵星建造有限公司)	8,000.00	0.1829%	Loans	Normal
24	Credit	Dongguan Huiyicheng Department Store Co., Ltd. (東莞市匯一城百貨有限公司)	27,000.00	0.6173%	Loans	Normal
25	Credit	Dongguan Huiyicheng Commercial Trade Co., Ltd. (東莞市匯一城商貿有限公司)	17,000.00	0.3887%	Loans	Normal
26	Credit	Dongguan Huixuan Industry Co., Ltd. (東莞市匯軒實業有限公司)	2,667.00	0.0610%	Loans	Normal
27	Credit	Lu Wei (盧蔚)	100.00	0.0023%	Credit Card	Normal
28	Credit	Dongguan Yuxinguo Industrial Investment Co., Ltd. (東莞市裕欣國實業投資有限公司)	/	/	Adjustment and resolution	Normal
29	Credit	Dongguan Zhenxing Paper Co., Ltd. (東莞振興紙品有限公司)	/	/	Adjustment and resolution	Normal
30	Credit	Dongguan Tongzhou Prefabricated Units Co., Ltd. (東莞市通洲預製件有限公司)	7,500.00	0.1796%	Loans	Normal
31	Credit	Dongguan Zhijie Trade Co., Ltd. (東莞市至捷貿易有限公司)	4,700.00	0.1125%	Loans	Normal
32	Credit	Dongguan Yangde Industry Co., Ltd. (東莞市洋得實業有限公司)	/	/	Adjustment and resolution	Normal

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No.	Type of transaction	Related party	Amount	% of net capital	Business type	Profit/loss
33	Credit	Dongguan City Kanghua Investment Group Co., Ltd. (東莞市康華投資集團有限公司)	10,000.00	0.2394%	Loans	Normal
34	Non-credit	Dongguan Gaodi Human Resources Development Co., Ltd. (東莞市高地人才資源開發有限公司)	42.14	0.0010%	Provision of services	Normal
35	Credit	Guangdong Hongyuan Group Industry Development Co., Ltd. (廣東宏遠集團產業發展有限公司)	25,000.00	0.5986%	Loans	Normal
36	Credit	Canvest Kewei Environmental Investment (Guangdong) Company Limited (粵豐科維環保投資(廣東)有限公司)	20,000.00	0.4789%	Letter of guarantee	Normal
37	Non-credit	Dongguan Gaodi Human Resources Development Co., Ltd. (東莞市高地人才資源開發有限公司)	22.66	0.0005%	Provision of services	Normal
38	Credit	Dongguan Zhiying Construction Materials Co., Ltd. (東莞市志盈建築材料有限公司)	5,300.00	0.1269%	Loans	Normal
39	Credit	Dongguan Duyue Paper Co., Ltd. (東莞市渡月紙品有限公司)	2,700.00	0.0646%	Loans	Normal
40	Credit	Dongguan City Xingye Refinancing Guarantee Co., Ltd. (東莞市興業融資擔保有限公司)	/	/	Bank guarantee cooperation	Normal
41	Credit	Guangdong Garwin Equity Investment Management Co., Ltd. (廣東嘉宏股權投資管理有限公司)	8,000.00	0.1592%	Loans	Normal
42	Credit	Dongguan Yangde Industry Co., Ltd. (東莞市洋得實業有限公司)	/	/	Adjustment and resolution	Normal
43	Credit	Dongguan City Kanghua Investment Group Co., Ltd. (東莞市康華投資集團有限公司)	10,000.00	0.1990%	Loans	Normal
44	Credit	Dongguan Huayi Decoration Plastic and Paper Co., Ltd. (東莞市樺藝裝飾塑料紙品有限公司)	10,000.00	0.1990%	Loans	Normal
45	Credit	Dongguan Zhiying Construction Materials Co., Ltd. (東莞市志盈建築材料有限公司)	/	/	Adjustment and resolution	Normal
46	Credit	Dongguan Duyue Paper Co., Ltd. (東莞市渡月紙品有限公司)	/	/	Adjustment and resolution	Normal
47	Credit	Dongguan Yuxinguo Industrial Investment Co., Ltd. (東莞市裕欣國實業投資有限公司)	/	/	Adjustment and resolution	Normal
48	Credit	Dongguan Yuxinguo Property Management Co., Ltd. (東莞市裕欣國物業管理有限公司)	/	/	Adjustment and resolution	Normal
49	Credit	Dongguan Zhenxing Paper Co., Ltd. (東莞振興紙品有限公司)	/	/	Adjustment and resolution	Normal
50	Credit	Dongguan Hengye Industrial Investment Co., Ltd. (東莞市恒輝實業投資有限公司)	/	/	Adjustment and resolution	Normal
51	Credit	Dongguan Maijia Paper Co., Ltd. (東莞市麥加紙品有限公司)	/	/	Adjustment and resolution	Normal
52	Credit	Dongguan Ruoxing Trade Co., Ltd. (東莞市若星貿易有限公司)	/	/	Adjustment and resolution	Normal
53	Credit	Dongguan Yuxinguo Industrial Investment Co., Ltd. (東莞市裕欣國實業投資有限公司)	20,000.00	0.3980%	Loans	Normal

No.	Type of transaction	Related party	Amount	% of net capital	Business type	Profit/loss
54	Credit	Guangdong Hongyuan Group Co., Ltd. (廣東宏遠集團有限公司)	24,700.00	0.4916%	Loans	Normal
55	Credit	Guangdong Hongyuan Group Co., Ltd. (廣東宏遠集團有限公司)	7,000.00	0.1393%	Loans	Normal
56	Credit	Guangdong Hongyuan Group Pharmaceutical Co., Ltd. (廣東宏遠集團藥業有限公司)	7,000.00	0.1393%	Loans	Normal
57	Credit	Wang Jiawei (王嘉威)	100.00	0.0020%	Credit Card	Normal
58	Credit	Dongguan Zhenxing Kuaijie Elevator Co., Ltd. (東莞市振興快捷電梯有限公司)	/	/	Adjustment and resolution	Normal

Note: Net capital adopted in calculation of the “% of net capital” in the table above is the unaudited figure of the end of preceding quarter when the application was made for the transaction.

As the aforementioned transactions which are categorized as “Credit” (i.e. all transactions except transaction no. 10, 18, 34, 37) are loans and credit facilities provided or to be provided by us to our connected persons are in the ordinary and usual course of our business and on normal commercial terms (or commercial terms that are better to us), these transactions are fully exempted from the reporting, announcement, circular, independent Shareholders’ approval and annual review requirements pursuant to Rule 14A.87(1) of the Listing Rules.

In relation to the transactions no. 10, 18, 34 and 37, the highest applicable percentage ratio of such transactions is less than 0.1%, these transactions are also exempted from the reporting, announcement, circular, independent Shareholders’ approval and annual review requirements pursuant to Rule 14A.76(1) of the Listing Rules.

(II) Connected Transaction under the Listing Rules

Transactions in Force Entered into Before the Listing

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

On December 6, 2019, the Bank entered into the property made-to-order agreement (“Made-to-order Agreement”) with Guangdong Hongyuan Group Industry Development Co., Ltd. (廣東宏遠集團產業發展有限公司) (“Hongyuan Industry”), to acquire first floor to sixteenth floor of R&D Building No. 3 (第3號研發樓) in Hongyuan International Artificial Intelligence (AI) Industry Center Phase 1 (宏遠國際人工智能(AI)產業中心一期) located on the south side of Kechuang Road, Nancheng Jiedao, Dongguan City (東莞市南城街道科創路南側), which was constructed according to the made-to-order requirements of the Bank, at the consideration of approximately RMB478.8 million.

During the Reporting Period, Hongyuan Industry was indirectly owned as to 50% by Guangdong Hongyuan Group Co., Ltd.* (廣東宏遠集團有限公司), which in turn was owned as to 30% by Mr. Chen Haitao, our non-executive Director and holder of approximately 0.0061% of our Domestic Shares, and 39% in aggregate by two brothers of Mr. Chen Haitao. Accordingly, Hongyuan Industry is a connected person of the Bank, and the entering into the Made-to-order Agreement and the transactions contemplated thereunder would have constituted connected transactions of the Bank pursuant to Chapter 14A of the Listing Rules if the Made-to-order Agreement was entered into after the Listing, and the highest applicable percentage ratio of the Made-to-order Agreement is more than 0.1% but less than 5%.

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

(III) Other Related Party Transactions

The Group has entered into several transactions with the “Related Party(ies)” with the definition of under the accounting standards. A summary of related party transactions conducted by the Group during the Reporting Period is set out in note 39 to the consolidated financial statements.

Listing Rules Implications

1. Transactions and balances with major shareholder

In relation to the transactions described under “Transactions and balances with major shareholder” in the paragraph headed “(b) Related party transactions and balances” in note 39, as the shareholding of the major shareholder, Guangdong Canvest Investment Co., Ltd., is approximately 4.34%, it is not considered as a connected person of the Bank within the definition of the Listing Rules, and accordingly, none of these transactions constitute connected transaction of the Bank within the definition of the Listing Rules

2. Transactions and balances with subsidiaries and associates

In relation to the transactions described under “(ii) Transactions and balances with subsidiaries” and “(iii) Transactions and balances with associates” in the paragraph headed “(b) Related party transactions and balances” in note 39, as none of our subsidiaries or associates constitute a connected person of the Bank within the definition of the Listing Rules, none of these transactions constitute connected transaction of the Bank within the definition of the Listing Rules

3. Transaction and balances with other related parties

In relation to the transactions described under “(iv) Transaction and balances with other related parties” in the paragraph headed “(b) Related party transactions and balances” in note 39, certain of these related parties constitute connected person of the Bank within the definition of the Listing Rules (e.g. Directors and his/her associates), and accordingly such transactions constitute connected transactions of the Bank. In particular, such transactions include:

- (a) *Loans and advances to customers and interest income* – provision of provision of loans and other credit facilities to connected persons in the ordinary and usual course of business and on normal commercial terms (or commercial terms that are better to the Bank) by our Bank which are fully exempted from the reporting, announcement, circular, independent Shareholders’ approval and annual review requirements pursuant to Rule 14A.87(1) of the Listing Rules;

- (b) *Deposits from customers and interest expense* – deposits by connected persons which are on normal commercial terms (or commercial terms that are better to the Bank) and not secured by assets of the Bank, which are fully exempted from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements pursuant to Rule 14A.90 of the Listing Rules;
- (c) *Non-principal-guaranteed WMPs issued by the Bank and fee and commission income* – provision of other banking services and products on normal commercial terms (or commercial terms that are better to the Bank) with the highest applicable percentage ratio of such transactions, aggregate on an annual basis, less than 0.1% in respect of each connected person and his/her associate, and are fully exempted from the reporting, announcement, circular, independent Shareholders' approval and annual review requirements pursuant to Rule 14A.76(1) of the Listing Rules;
- (d) *Other liabilities* – payable for civil engineering services – please refer to the “Connected Transaction under the Listing Rules – Transactions in Force Entered into Before the Listing – Acquisition of our made-to-order Data Center and Research and Development Center” section in this chapter for details; and
- (e) *Right-of-use assets, lease liabilities and leasing expenses* – to the extent that the lease agreement is entered into after the Listing, as the lease have been recognized as an asset representing our right to use the leased property and a liability to make rental payments during the lease term in accordance with the applicable accounting standard, the lease constitute one-off transaction of the Bank within the meaning of the Listing Rules. As the leases are on normal commercial terms (or commercial terms that are better to the Bank) and the highest applicable percentage ratio of such lease is less than 0.1%, such transaction is fully exempt from the reporting, announcement, circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

4. Remuneration of key management personnel

To the extent such remuneration relates to remuneration of Directors and Supervisors, such transactions constitute connected transactions of the Bank under the Listing Rules and are fully exempted from the reporting, announcement, circular and independent Shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

5. Loans and advances balances with Directors, Supervisors and their certain controlled body corporates and connected entities

Such transactions are fully exempt from the reporting, announcement, circular and independent Shareholders' approval requirements pursuant to Rules 14A.87(1) and 14A.90 of the Listing Rules. For details, please refer to points (a) and (b) under “3. Transaction and balances with other related parties” above.

(IV) Transactional Balance with Related Individuals and Risk Exposure

During the Reporting Period, the Bank conducted related party transaction management in accordance with the Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders or Shareholders (商業銀行與內部人和股東關聯交易管理辦法). As at the end of December 2021, the credit balance of related party transactions occurred between the Bank and related individuals were RMB930.8696 million, and the risk exposure was RMB930.8696 million. The related party transaction scale has been controlled at a reasonable level.

XIX. MISAPPROPRIATION OF FUNDS BY RELATED PARTIES

During the Reporting Period, neither the major Shareholders of the Bank nor their related parties had used any funds of the Bank other than in the ordinary course of business, nor had any of them misappropriate any fund of the Bank through any unfair related party transactions.

XX. CONSUMER PROTECTION

(I) Consumer Rights Protection in 2021

In 2021, the Bank further deepened its understanding of the importance of protecting the rights of financial consumers, fully affirmed the principal consciousness as the first person responsible for protecting the rights of financial consumers and regarded protecting the rights of financial consumers as an important part of its operation strategy and corporate culture. The Bank also strictly performed its principal responsibility for protecting the rights of financial consumers.

With respect to full-process management and control, the Bank has updated the “Management Measures for the Protection of Consumer Rights and Interests of Dongguan Rural Commercial Bank Co., Ltd.(2021 Edition)”, and continued to review the consumer rights protection in respect of financial products and services, covering the design and development of various products and services, policies, systems, business rules, charging pricing, agreement terms, marketing texts, cooperation matters with third-party manufacturers, various marketing activities, etc., and supervised the relevant implementation results through the inspection of consumer rights protection, internal audits and other means, thus effectively and consistently implementing various regulatory requirements, and ensuring that our business operation was legally carried out.

With regards to the publicity and education of financial knowledge, the Bank continued to innovate the channels for publicity and education, and enriched the forms of online and offline activities. Firstly, each business outlet has established a permanent education and publicity area, placing sufficient publicity leaflets and posters, and playing financial knowledge education videos in a rolling manner, creating a strong publicity atmosphere. Secondly, through a series of live broadcast activities to popularize financial knowledge, such as “Watching Finance 3.15 Live” and “Keep Your Money Bag”, the Bank has innovated the channels for publicity and education and expanded its audience base. Thirdly, for special groups such as “Elderly & Kid” group and new industrial workers, the Bank has recruited employees who are proficient in business and have strong communication skills to form a professional education team to enter communities, schools, factories, and rural areas, and take the initiative to popularize financial security knowledge for consumers, including account security, identification of illegal online loans, preservation of credit records, fraud prevention, and personal information protection, enriched the form of activities.

(II) Complaint Handling in 2021

As of December 31, 2021, a total of 782 consumer complaints have been accepted and handled, with an annual average of 1.55 complaints per outlet and 0.3996 complaints per 10,000 individual customers. Key information on consumer complaints are as follows:

Firstly, from the perspective of regional distribution of consumer complaints, complaints were mainly distributed in Dongguan. Complaints from Dongguan, Qingyuan, Huizhou and Zhuhai, representing 99.48%, 0.26%, 0.13% and 0.13% of all complaints, respectively.

Secondly, from the perspective of business processing channel of consumer complaint, the front desk business was the main channel where complaint arise. There were 522, 161 and 99 complaints from on-site business, other front desk business and middle and back office business, respectively, representing for approximately 66.75%, 20.59% and 12.66% of all complaints, respectively.

Thirdly, from the perspective of the business type of consumer complaints, loan business and bank card business were the fields with frequent complaints. Customer complaints mainly focused on loan business, debit card business, RMB saving business, credit card business and wealth management, payment and settlement, intermediary business and others, and there were 210, 229, 135, 104 and 104 complaints, respectively, representing for 26.85%, 29.28%, 17.27%, 13.30% and 13.30% of all complaints, respectively.

Fourthly, from the perspective of the causes of consumer complaints, business process and service quality have become the focus of consumer complaints. There were 459 complaints resulted from management system, business rules and processes, accounted for 58.70%; 79 complaints caused by service attitude and service quality, accounted for 10.10%; 56 complaints caused by marketing methods, accounted for 7.16%; 44 complaints caused by pricing and charging, accounted for 5.63%; 78 complaints caused by debt collection methods, accounted for 9.97%, and 66 complaints caused by service facilities, equipment, business systems, information disclosure, independent option, capital security and information security, accounted for 8.44%.

(III) Prospects for Consumer Rights Protection in 2022

Based on a new starting point, the Bank will continue to improve the construction of the consumer rights protection system and mechanism, strengthen the coordination and linkage among internal institutions, and continuously improve the overall quality of the consumer protection team of the Bank, so as to form a penetrating consumer protection organization system. We will continue to carry out financial knowledge popularization and education activities in various forms, continuously improve the financial literacy of consumers, and earnestly fulfill our social responsibilities.



**You do your best to
fight the pandemic
We accompany you
with confidence**

We create from good to better together

■ Chapter X Report of the Board of Supervisors



2021 was the first year of listing of Dongguan Rural Commercial Bank, and it was also a key year for the Bank to transform and advance and start a new journey. Adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, took “two maintenance” as the performance and test standard, under the leadership of the Bank’s Party Committee and the General Meeting, with the support and cooperation of the Board of Directors and the senior management, and with the focus on the central work of the Bank’s three-year strategic planning and operation and management, the Board of Supervisors has fully met the requirements of listed companies, faithfully fulfilled the functions and powers conferred by relevant laws and regulations and the Articles of Association, and promoted the sustainable and steady development of the Bank and effectively safeguarded the legitimate rights and interests of Shareholders and other stakeholders.

I. WORK OF THE BOARD OF SUPERVISORS IN 2021

(I) Guided by Regulatory Requirements, Supervised Major Decisions in Accordance with Regulations

From the full perspective, deepened the supervision of deliberations. Following the two basic principles of promoting the Bank’s development and safeguarding shareholders’ rights and interests, in accordance with the work system of the Board of Supervisors and the work plan formulated in early 2021, 8 meetings of the Board of Supervisors were held in an active and orderly manner, at which, 137 proposals including annual reports, financial budgets and final accounts, and profit distribution plans have been reviewed, and 92 reports have been reviewed. The Nomination Committee and the Supervision Committee held a total of 12 meetings and reviewed proposals such as performance evaluation reports and audit reports. The Board of Supervisors actively overcame the impact of the pandemic and ensured that various meetings were held in accordance with regulations. It has also strengthened refined management in meeting proposal screening, and meeting procedures; actively promoted the combination of online and offline meetings. Supervisors participating in the meeting took the initiative to adapt to the “pandemic meeting mode”, which ensured the quality of participation and deliberation.

Gathered energy at a high level and strengthened decision-making supervision. The Bank actively dispatched Supervisors to participate in the general meeting of Shareholders and to attend the Board meetings, the president’s executive meeting and relevant committee meetings in the whole process, to supervise the compliance of meeting agendas and proposals in accordance with the law. The supervisory role of the Board of Supervisors has been brought into full play in terms of development strategy, business decision-making, appointment and removal of important personnel, risk prevention, and supervision of the performance of senior executives. Besides, with regard to matters of major concern, from the perspectives of macroeconomic situation analysis, regulatory policy understanding, and peer-to-peer comparison research, the Board of Supervisors issued supervisory opinions or suggestions in a timely manner, reflected the supervisory responsibility to the general meeting of shareholders of the Board of Supervisors and its functional orientation to the Company, shareholders, employees, creditors and other stakeholders.

(II) Based on the Supervision of Performance of Duties, the Efficiency of Corporate Governance Has Been Improved

Based on reality, improved duty performance files. Through the continuous improvement of duty performance files, the Company has dynamically collected the basic information of each member, participation in conferences, training, and research, as well as the content of speeches, suggestions, and opinions in the process, which provided a true and comprehensive basis for performance evaluation.

Based on the benchmarking, the performance evaluation has been optimized. Based on the principle of objectivity and fairness, and by means of attending meetings, auditing inspections, conducting research interviews, monitoring and analysis, the Company continuously supervised the performance of Directors and senior management personnel. Through various methods, including debriefing and conducting self-evaluation, mutual evaluation, Board's evaluation, Supervisor's evaluation and external evaluation, the Company has comprehensively evaluated the annual performance of Directors, Supervisors and senior management, and put forward work improvement suggestions to the "two meetings and one level", which effectively promoted the improvement of Directors, Supervisors and senior management's ability to perform their duties and their effectiveness.

(III) Took Financial Supervision as the Core, Steadily Improved the Quality and Efficiency of Supervision

Paid attention to details and carefully reviewed reports. The Bank reviewed our periodic reports, audit reports and other proposals, listened to audit reports on the Bank's financial report, and kept abreast of the audit findings on the Bank's main businesses such as credit, capital, and wealth management. The Board of Supervisors believes that the preparation and review procedures of the Bank's periodic reports are in compliance with legal requirements, and that the contents truthfully, accurately and completely reflect the Bank's actual situation.

Dynamic analysis and prudential financial supervision. The Board of Supervisors considered the proposals on financial budgets, final accounts and profit distribution of the Bank, expressed opinions on the compliance and rationality of the relevant proposals, considered the proposal for appointment of external auditor of the Bank, earnestly fulfilled its financial supervision duties, and protected shareholders' legitimate interests. In addition, the Board of Supervisors continued to pay attention to the impact of financial activities on improving profitability and the ability to resist market risks by reviewing quarterly business reports, comprehensive risk reports, audit reports, etc., and put forward suggestions for improvement in a timely manner.

(IV) Focused on Risk Supervision and Continuously Optimized Internal Control Mechanism

Advancing the depth of financial risk prevention. The Board of Supervisors had a comprehensive understanding of the Bank's overall risk internal control and the risk internal control of various business lines through regular review of risk management reports, internal control evaluation reports and special reports on related party transactions, and focused on the weaknesses of internal risk control of the Bank and implementation effect of relevant targeted management measures. The Board of Supervisors supervised the Bank to continuously improve the internal risk control system and strengthen the enforcement of the system in terms of the formulation of risk management policies and system of the

Bank, the effectiveness of risk appetite and transmission mechanism as well as the compliance of major risk indicators, and put forward relevant suggestions on the risk situation in key areas such as credit risk prevention and control and changes in asset quality

Aiming at the target to plug the risk loophole. Relying on the strength of the Board of Supervisors and the audit team of the Bank, the Board of Supervisors organized and carried out six special audit projects on the operation of special committees under the Board of Directors and senior management, remuneration management, treasury business, consolidated management and business continuity. In response to the hidden risks found in the audit, the Board of Supervisors put forward opinions on strengthening internal control management and requirements for rectification within a time limit, and established problem rectification and implementation tracking mechanism to promote closed-loop management of audit problem rectification. Further, the Board of Supervisors organized a joint meeting on operation management and supervision every half year to facilitate information exchange with various supervisory departments and promote rectification to achieve greater results.

(V) Actively Promoted the Transformation of Achievements Based on Research and Supervision

Innovating the carrier to highlight research results. The Board of Supervisors regarded research as an important way to improve Supervisors' ability to perform their duties and an effective carrier of embedded supervision, and conducted real research with closed-loop process of "topic selection of research, member grouping, plan formulation, project implementation, research conclusion and achievement transformation". During the year, the Board of Supervisors continued to carry out five special research on disposal of non-performing assets, anti-money laundering, service and marketing capabilities of front-line employees, practical implementation of the Civil Code, innovative financial services in the field of people's livelihood as well as operation and management of Chaoyang RCB, formed five special research reports, and actively promoted the transformation of achievements, laying a solid foundation for the Bank to improve its group management level.

Making up for the shortcomings of management with interconnection and interaction. The Board of Supervisors attached great importance to the on-site inspection opinions and other regulatory notices and requirements of regulatory authorities, strictly supervised the progress of the rectification of the Bank's problems, and obtained work guidance and support in a timely manner by maintaining smooth reporting and communication with regulatory authorities. In addition, the Board of Supervisors focused on strengthening continuous communication and interaction with the Directors and senior management for duties performance, gave timely feedback on the supervisory opinions of the Board of Supervisors and transmitted the spirit of supervision through joint meetings, official documents and other forms. Throughout the year, the Board of Supervisors issued a total of 19 pieces of supervisory information on the risk research on the international business, credit business, money laundering risk management, data quality governance and regulatory rating, emphasizing on making efforts to make up for shortcomings in terms of system construction and management mechanism, which played a positive role in improving the risk management of the Bank.

(VI) Continued to Improve the Ability to Perform Duties for Self-construction

Consolidating the foundation and improving the institutional system. In strict accordance with the latest regulatory regulations and relevant requirements of listed companies, the current system of the Board of Supervisors has been comprehensively reviewed, and the omissions have been filled. Based on the review, the Board of Supervisors revised the rules of procedure for the Board of Supervisors, performance evaluation measures, election measures for non-employee Supervisors of the Board of Supervisors, the work rules for external Supervisors and other systems, and promoted the institutionalization and standardization of the work of the Board of Supervisors, so as to ensure that there would be rules and regulations to follow in the development of various supervisory work of the Board of Supervisors.

Focusing on strengthening performance support. The Board of Supervisors sorted out the information needs for performance of duties, established working mechanism for regular information submission, and provided comprehensive and timely information support for the Supervisors to perform their duties. The Board of Supervisors actively organized all Supervisors to participate in in-house training and research to enhance their understanding of the Bank's situation, especially the grass-roots front-line situation, and lay a foundation for better performance of duties. The Board of Supervisors strengthened the guidance to the office of the Board of Supervisors, urged it to do a good job in daily supervision and monitoring as well as follow-up and implementation of the recommendations and opinions of the Board of Supervisors, researched and explored ways and means of innovative supervision work, enhanced the initiative and foresight of work, and improved service levels.

II. WORK OF EXTERNAL SUPERVISORS

In 2021, the external Supervisors of the Bank could actively participate in the meetings and activities of the Board of Supervisors and fully perform their duties in strict accordance with the provisions of the Articles of Association of the Bank, and their working hours for the Bank meet the requirement of not less than 15 working days throughout the year. As members of special committees under the Board of Supervisors, the external Supervisors could organize and carry out the work of special committees based on the principles of objectivity, independence and prudence and in accordance with their duties and powers, give full play to their professional expertise, and actively offer advice and suggestions, effectively promoting the legal and compliant operation of the Bank.

III. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

(I) Legal Operation

During the Reporting Period, the Bank carried out business activities according to laws and regulations with stable operation and standardized management, and its business performance was objective and true. The Bank has not violated laws, regulations and the Articles of Association, or harmed the interests of the Company and Shareholders.

(II) Authenticity of the Financial Report

The financial report for the year has been audited by the accounting firm in accordance with International Standards on Auditing. Upon review, the financial report truly, objectively and accurately reflected the financial position and operating results of the Bank.

(III) Acquisition and Disposal of Assets

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

(IV) Related Party Transactions

During the Reporting Period, the related party transactions of the Bank were fair and reasonable, and the review, voting, disclosure, performance and of other procedures of related party transactions were in compliance with national laws, regulations and the Articles of Association. There was no behavior that damages the interests of Shareholders and the Bank in related party transactions.

(V) Implementation of Resolutions of the General Meeting

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

(VI) Risk Management

During the Reporting Period, with the goal of improving the risk management level of the Bank, the Bank insisted on doing a good job in comprehensive risk management and other work. The overall risk management work of the Bank was relatively stable. No major risk events occurred, and the overall risk control and management level continued to improve.

(VII) Internal Control

During the Reporting Period, the Bank continued to strengthen and improve internal control, and the Board of Supervisors had no objection to the Bank's internal control evaluation report this year. No major defects were found in the completeness, rationality and effectiveness of the Bank's internal control system and the implementation of the internal control system. With regard to anti money laundering management, the Board of Directors earnestly implemented the anti-money laundering requirements of the CBIRC and the PBoC, urged the senior management to earnestly perform their duties, proactively promote the construction of anti-money laundering system, solidly carry out anti money laundering publicity and training, and constantly improve the money laundering risk management system. Also, taking the opportunity of the enforcement inspection of the anti-money laundering law by the PBoC, the Board of Directors listened carefully to the issues found in the inspection, urged and promoted the senior management to make full rectification, practically enhanced the effectiveness of anti-money laundering management, and strive to fundamentally improve the anti-money laundering management environment and efficiency of the Bank.

(VIII) Protection of Consumers' Rights and Interests

During the Reporting Period, the Board of Directors and senior management of the Bank ensured the accurate and effective implementation of policies and regulations of protection of consumers' rights and interests through continuously improving the management system and operation mechanism.

(IX) Performance of Liquidity Risk Management

During the Reporting Period, the Board of Directors and senior management of the Bank performed their duties of liquidity risk management in accordance with laws and regulations, and continued to conduct liquidity risk management. The liquidity risk was safe and controllable as a whole, and the daily liquidity risk was at a lower level.

(X) Information Disclosure

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

(XI) Social Responsibilities

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

(XII) Special Supervision and Evaluation

In terms of capital management, the Board of Directors and senior management of the Bank performed their duties of capital management in accordance with laws and regulations. As of the end of 2021, the Bank's capital adequacy ratio and core tier 1 capital adequacy ratio met regulatory requirements, and the capital was adapted to business development and risk level.

In terms of stress testing, the Board of Directors and senior management of the Bank performed their duties of stress testing management in accordance with laws and regulations. The Board of Directors reviewed and approved stress testing policies, and the senior management organized and implemented stress tests and reported to the regulatory authority and the Board of Directors in time.

In terms of case prevention and control, the Bank could effectively carry out special work such as case risk investigation, staff's abnormal behavior investigation and case prevention and control evaluation, and continuously strengthen case prevention and control education, warning, supervision and inspection, which provided guarantee for the smooth development of various business work.

In terms of risk management on consolidated basis, the Board of Directors and senior management of the Bank performed risk management responsibilities on consolidated basis in accordance with laws and regulations. The Board of Directors has formulated the Group's risk management policies and risk appetite, risk tolerance, risk management and internal control policies on consolidated basis, and the senior management organized the implementation of risk management work on consolidated basis.

In terms of reputation risk management, the Board of Directors and senior management of the Bank performed their duties of reputation risk management in accordance with laws and regulations, effectively prevented and resolved some (potential) negative public opinions, and kept the reputation risk of the Bank under control as a whole.

In terms of data governance, the Board of Directors and senior management of the Bank performed their duties of data governance in accordance with laws and regulations, organized and carried out a series of data governance work with quality of data assets gradually improving.

IV. KEY WORK UNDERTAKEN BY THE BOARD OF SUPERVISORS IN 2022

In 2022, the Board of Supervisors will proactively implement the major decisions and regulatory requirements of the authorities at a higher level, adhere to the Party's leadership, strategic guidance, issues-oriented and risk-based measures, closely focus on the central work of the Bank, earnestly perform the duties of the Board of Supervisors, make positive contributions to the improvement of corporate governance and provide a strong guarantee for the high-quality development of the Bank.

(I) Strengthen the Party's Leadership and Improve the Political Positioning

The Board of Supervisors will adhere to the Party's leadership over corporate governance, earnestly implement arrangements and deployments of the Party committee, and constantly improve political judgment, political understanding and political execution. Benchmarking advanced listed banks, the Board of Supervisors will carry out "mechanism optimization", improve the system and mechanism of the Board of Supervisors in a timely manner with the goal of "clarifying responsibilities, systematizing policies and standardizing processes", take into consideration of strengthening the Party's leadership at all levels and improving the performance evaluation in the performance evaluation measures of "two boards and one management", supervise and implement the Party's leadership over specific work of the "two boards and one management" personnel.

(II) Focus on Supervision Responsibilities and Optimize Financial Ecology

The Board of Supervisors will continue to pay attention to the performance of the Board of Directors and senior management in improving corporate governance, promoting the implementation of the Bank's strategies and risk management, internal control and financial management, so as to ensure the coverage of specified supervision matters. In terms of specific supervision, the Board of Supervisors will adhere to the issue and risk orientation, combined with the new round of strategic planning and annual key work of the Bank, focus on the prominent issues and hidden dangers that regulators and investors focus on and most likely affect the steady operation and development of the Bank, determine the annual key supervision objectives, and strengthen the current and in-process supervision through "routine supervision" combined with "special supervision", so as to realize the overall work pattern of promotion of management through inspection, promotion of standardization through supervision and promotion of development through rectification.

(III) Deepen Communication and Coordination and Form a Joint Force of Supervision

The Board of Supervisors will strengthen the supervision of information feedback, enabling the Board of Directors and senior management understand the supervision focus of the Board of Supervisors in a timely manner, being aware of the issues found in the supervision and evaluation, promote the rectification of issues in a timely manner and standardize the performance of duties. The Board of Supervisors will broaden access to supervision information, establish a regular communication mechanism with relevant functional departments including audit, risk, compliance, discipline inspection and external auditors, and form a joint supervision force through exchange and sharing of important information, coordination and complementarity. The Board of Supervisors will strengthen the relations and communication with regulatory authorities and departments under the SASAC, closely follow up the regulatory focus, new regulatory requirements, and obtain work guidance and support in a timely manner.

(IV) Strengthen Connotation Construction and Improve Governance Level

Through special research and performance training, supervisors could understand the actual operation and management of the Bank in a timely manner and understand the regulatory policies and performance requirements in an accurate manner. The Board of Supervisors will strengthen the inter-bank exchanges, study and apply the experience of the board of supervisors of the peers in operation system and supervision methods, and constantly optimize and improve the working methods. The Board of Supervisors will strengthen the guidance on the work of the board of supervisors of institutions on consolidated basis, convey relevant supervision requirements of the board of supervisors of head office in a timely manner, understand and assist coordinate and solve issues in the process of performance, and realize penetration management.



**We work together to
build happy hometown
Dongguan**

Deeply loving hometown and benefiting residents; billions credit and industry-booming countryside We fully support rural revitalization and jointly build happy hometown Dongguan

■ Chapter XI Other Matters



I. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Bank and the Shareholders of the Bank have not been granted any pre-emptive rights.

II. USE OF PROCEEDS FROM THE LISTING

The H shares of the Bank were listed on the Hong Kong Stock Exchange on September 29, 2021, and the net proceeds from the Global Offering of the Bank was approximately HK\$8.882 billion (after deduction of relevant listing expenses), which has been fully utilized for the intended use as disclosed in the prospectus of our Bank to strengthen our capital base to support the ongoing growth of our business.

III. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND OTHER SIMILAR RIGHTS

Save for the over-allotment option granted as part of the Global Offering, neither the Bank or any of its subsidiaries has issued any convertible security, option, warrant or other similar right during the Reporting Period, nor had any such security or right outstanding during or as at the end of the Reporting Period.

IV. SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPLEMENTATIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Bank did not implement any form of share option scheme, equity incentive plan, employee share ownership scheme or other employee incentive measures nor have any such scheme subsisting.

V. MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

During the Reporting Period, the Bank had no material acquisition and disposal of assets and merger of enterprises.

VI. MAJOR CAPITAL OPERATION

During the Reporting Period, the Bank had no material capital operation.

VII. SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Bank had no significant investment or plans for material investments during the Reporting Period.

VIII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

(I) Entrustment, Contracting and Leasing Matters

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

(II) Significant Guarantees

During the Reporting Period, the Bank did not have any other material guarantee that needed to be disclosed save for the guarantees within the business scope as approved by the PBOC and the CBIRC. During the Reporting Period, the Bank did not have any external guarantee in default.

(III) Entrusted Wealth Management

During the Reporting Period, there was no event in respect of entrusted wealth management beyond the Bank's normal business.

(IV) Material Contracts in Day-to-day Operations

During the Reporting Period, the Bank did not have any material contracts in day-to-day operations that are required to be disclosed.

(V) Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this report, the interim report, the prospectus, other announcements and circulars of the Bank.

IX. SIGNIFICANT LITIGATION AND ARBITRATION

The Bank was involved in certain litigation arising from its ordinary course of business, most of which were initiated for recovery of non-performing assets. In 2021, the principal amount of the newly added loans for which cases (including litigations and arbitrations) the principal amount of single loan exceeding RMB10 million and the Bank was involved in as the plaintiff or the applicant was RMB678.3666 million. The amount of litigation subjects under the newly added pending cases (including litigations and arbitrations) for which the Bank was involved in as the defendant or the respondent was equivalent to RMB678,300. The litigations and arbitrations would not have material adverse impact on the Bank's financial or operating results.

X. CREDIT STANDING

During the Reporting Period, there had not been any significant court judgment with which the Bank has not complied, nor was there any outstanding debt of significant amount.

XI. PUNISHMENT OF THE BANK AND THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, none of the Bank, or its Directors, Supervisors and senior management members had been subject to public condemnations by the Hong Kong Stock Exchange, or had been subject to any penalty by banking regulation and management bodies and other regulatory bodies that caused a significant impact on the Bank's operation.

Among the subsidiaries, there was a penalty against Zhangjiang RCB.

Punishment Document	Date of punishment	Unit being punished	Form of punishment	Issues	Internal treatment/ accountability	Remedial measures
Zhan Yin Bao Jian Fa Jue Zi [2021] No. 7	April 29, 2021	Chikan Sub-branch and Economic and Technology Development Zone Subbranch of Zhanjiang Rural Commercial Bank Co., Ltd.	Penalty	Serious violation of the principle of prudent operation	Held relevant personnel responsible	Penalties were paid in full in a timely manner and took effective asset preservation measures, fully recovered the loss of credit assets; dug deep into the problems in credit and implemented rectification; strengthened the special inspection of credit business management, strengthened employee management, and did a good job in warning education.

XII. SIGNIFICANT EVENTS OF SUBSIDIARIES

During the Reporting Period, there is no significant event of subsidiaries.

XIII. SUBSEQUENT EVENTS

After the Reporting Period, there was no event and circumstance in the Bank that had a significant impact on the Company.

XIV. EXPLANATIONS OF OTHER MAJOR MATTERS

During the Reporting Period, save for those disclosed in the prospectus and/or this report, the Bank did not have any other major matters.



东莞农村商业银行

Made several historic highs

Facing customers with professional attitude - We firmly believe that customers are our greatest wealth

■ Chapter XII Financial Report



Independent Auditor's Report

To the Shareholders of Dongguan Rural Commercial Bank Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Dongguan Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 224 to 373, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers
- Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers</p> <p>Refer to Note 2.12.5, Note 3(1), Note 12, Note 17(a) and Note 17(b) to the consolidated financial statements.</p> <p>As at 31 December 2021, the carrying amount of Group's loans and advances to customers of RMB298,713,429 thousand, and the expected credit loss ("ECL") allowance of RMB9,091,156 thousand were recognised in the Group's Consolidated Statement of Financial Position. The credit impairment losses on loans and advances to customers recognised in the Consolidated Statement of Profit or Loss for the year ended 31 December 2021 amounted to RMB1,990,554 thousand.</p>	<p>We understood, evaluated and tested the internal controls relating to the measurement of ECL for loans and advances to customers, primarily including:</p> <ol style="list-style-type: none"> (1) The selection, approval and application of the ECL modelling methodologies, and the ongoing monitoring and improving of the models; (2) Significant management judgements and assumptions, including the review and approval of portfolio segmentation, parameters estimation, defining significant increase in credit risk, default or credit-impaired, and selection of forward-looking economic indicators; (3) The accuracy and completeness of key inputs used by the models; <p>We performed substantive procedures, primarily including:</p>

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers (Continued)

The Group assesses whether the credit risk of loans and advances to customers have increased significantly since their initial recognition, and applies a three-stage model to calculate their ECL. Management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and advances in stage 3, management assesses ECL by estimating the future cash flows from the loans and advances to customers.

The ECL measurement involved significant management judgements and assumptions, primarily including:

- (1) Segmentation of portfolio sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- (2) Criteria for determining whether there was a significant increase in credit risk, or a default or credit-impaired was occurred;
- (3) Economic indicators used in the forward-looking measurement, and the application of economic scenarios and weightings;
- (4) Estimation of future cash flows for corporate loans and advances in stage 3.

We evaluated the modelling methodologies for ECL measurement of different portfolio segmentations and examined the coding for model measurement, to test whether or not the measurement models reflect the modelling methodologies documented by management.

We examined major parameters and data inputs to the ECL models, including (i) sampling check on information of loan contracts such as the maturity date, supporting information such as the borrower's financial and non-financial information in historical and on measurement dates, against the basic information used for the calculation of probability of default; (ii) evaluation of the reasonableness of loss given default by comparing it with industry practices and historical records; (iii) sampling check on loan contracts and evaluation of the reasonableness of the exposure at default and discount rates. In addition, we performed retrospective testing on the expected default probability and the actual default probability of last year and evaluated the impacts of the test results on the model.

We selected samples, including the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk, default and credit-impaired loans and advances to customers.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers (Continued)</p>	<p>For forward-looking measurement, we evaluated management's model analysis of their selection of economic indicators and their correlation with the credit risk portfolio, economic scenarios and weightings assigned, assessed the reasonableness of the prediction of economic indicators by comparing the baseline value of the forecasting values available from third-party organisations and performed sensitivity analysis of economic scenarios and weightings.</p> <p>For corporate loans and advances in stage 3 which are considered individually significant, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance.</p> <p>Based on our procedures performed, the models, key parameters and data inputs, significant judgements and assumptions adopted by the Group were supported by available evidence.</p>

Key Audit Matter

How our audit addressed the Key Audit Matter

Consolidation of structured entities

Refer to Note 2.2.1, Note 3(2) and Note 37 to the consolidated financial statements.

The Group manages and invests in certain structured entities. As at 31 December 2021, among all sorts of unconsolidated structured entities, unconsolidated wealth management products managed by the Group amounted to RMB40,271 million; and unconsolidated structured entities sponsored by other entities and invested by the Group amounted to RMB22,801,473 thousand.

Management's decision on whether or not to consolidate structured entities was based on the assessment of the Group's power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities.

Considering the size of structured entities and management judgements involved were significant when evaluating the consolidation of the structured entities, we identified consolidation of structured entities as a key audit matter.

We understood, evaluated and tested the internal controls relating to management's assessment on consolidation of structured entities, mainly including approval of transaction structures, review and approval of contractual terms, variable return computation, and consolidation assessment results.

In addition, we checked supporting documents of structured entities managed and invested by the Group on a sampling basis, including related contracts, internal documents and information obtained as an investor or disclosed to investors, and assessed whether the Group had control over the structured entities by conducting the following audit procedures:

- (1) We analysed the business structures, checked the contracts and assessed whether the Group had power over the structured entities;
- (2) We checked the contract terms of variable returns of the structured entities, including the management fee rates related to the remuneration in the management or investment contracts, the contract return rates of the underlying investments and investors, etc., and we checked with the information used in the management's evaluation. We recalculated the amount and variability of its return of each sampled structured entity;
- (3) We evaluated whether the Group had the ability to exercise its power to influence the variable returns from these structured entities, and assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group's decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties.

Based on our procedures performed, we found that management's assessments in relation to the consolidation of structured entities were supported by available evidence.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yao Wenping.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

	Note	Years ended 31 December	
		2021	2020
Interest income	4	21,957,835	19,517,604
Interest expense	4	(11,424,500)	(9,585,225)
Net interest income		10,533,335	9,932,379
Fee and commission income	5	990,825	995,075
Fee and commission expense	5	(198,516)	(54,696)
Net fee and commission income		792,309	940,379
Net trading gains	6	1,057,806	881,282
Net gains on financial investments	7	520,932	181,903
Other operating income	8	91,932	111,104
Operating income		12,996,314	12,047,047
Operating expenses	9	(4,597,330)	(3,924,886)
Expected credit losses and asset losses	12	(2,443,167)	(2,774,335)
Operating profit		5,955,817	5,347,826
Share of profits of associates	20	33,834	24,283
Profit before tax		5,989,651	5,372,109
Income tax expense	13	(286,731)	(316,792)
Net profit		5,702,920	5,055,317
Net profit attributable to:			
Shareholders of the Bank		5,589,700	4,856,926
Non-controlling interests		113,220	198,391
		5,702,920	5,055,317
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	14	0.93	0.85

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	Years ended 31 December	
		2021	2020
Other comprehensive income/(losses)			
Items which may be reclassified to profit or loss:	33		
Changes in fair value of financial assets at fair value through other comprehensive income		877,038	(1,510,171)
Credit impairment provision for financial assets at fair value through other comprehensive income		(33,898)	98,386
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income		(210,785)	352,897
Items will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated at fair value through other comprehensive income		38,972	2,557
Impact on income tax on changes in fair value of equity instruments designated at fair value through other comprehensive income		(9,743)	(639)
		<u>661,584</u>	<u>(1,056,970)</u>
Total comprehensive income		<u>6,364,504</u>	<u>3,998,347</u>
Total comprehensive income attributable to:			
Shareholders of the Bank		6,208,070	3,823,743
Non-controlling interests		<u>156,434</u>	<u>174,604</u>
		<u>6,364,504</u>	<u>3,998,347</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2021	2020
ASSETS			
Cash and balances with central banks	15	36,211,311	38,576,454
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	16	15,772,779	18,707,434
Derivative financial assets		148,556	12,879
Loans and advances to customers	17	289,684,534	254,641,762
Financial investments	18	242,261,644	227,713,101
– Financial assets at fair value through profit or loss		43,512,900	36,101,567
– Financial investments at amortised cost		108,445,277	111,667,933
– Financial investments at fair value through other comprehensive income		90,303,467	79,943,601
Investment in associates	20	455,392	432,990
Property and equipment	21	2,546,928	2,432,773
Right-of-use assets	22	923,130	612,164
Goodwill	23	520,521	520,521
Deferred tax assets	24	3,331,121	3,054,183
Other assets	25	1,505,177	1,697,695
Total assets		593,361,093	548,401,956
LIABILITIES			
Borrowings from central banks	26	11,274,598	30,653,358
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	27	40,204,765	43,482,217
Financial liabilities at fair value through profit or loss		492,648	238,841
Derivative financial liabilities		159,573	17,263
Deposits from customers	28	419,065,517	377,548,894
Debt securities issued	29	67,857,602	50,249,237
Taxes payable	30	583,389	822,735
Lease liabilities	22	459,079	450,860
Other liabilities	31	3,281,809	6,295,737
Total liabilities		543,378,980	509,759,142

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2021	2020
EQUITY			
Share capital	32	6,888,546	5,740,455
Capital reserve		6,230,429	–
Revaluation reserve	33	789,488	196,291
Surplus reserve	34	7,737,394	7,177,594
General reserve	34	6,329,025	5,767,735
Retained earnings		19,403,750	17,263,552
Total equity attributable to shareholders of the Bank		47,378,632	36,145,627
Non-controlling interests		2,603,481	2,497,187
Total equity		<u>49,982,113</u>	<u>38,642,814</u>
Total liabilities and equity		<u>593,361,093</u>	<u>548,401,956</u>

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 25 March 2022.

Chairman:	President:	Vice President:	Head of the Accounting Department:
Wang Yaoqiu	Fu Qiang	Chen Wei	Zhong Xuemei

Consolidated Statement of Changes in Equity

	Equity attributable to shareholders of the Bank							Non-controlling interests	Total
	Share capital (Note 32)	Capital reserve (Note 32)	Revaluation reserve (Note 33)	Surplus reserve (Note 34)	General reserve (Note 34)	Retained earnings			
As at 1 January 2021	5,740,455	-	196,291	7,177,594	5,767,735	17,263,552	2,497,187	38,642,814	
Net profit for the year	-	-	-	-	-	5,589,700	113,220	5,702,920	
Other comprehensive income	-	-	618,370	-	-	-	43,214	661,584	
Total comprehensive income	-	-	618,370	-	-	5,589,700	156,434	6,364,504	
Issuance of new shares	1,148,091	6,230,429	-	-	-	-	-	7,378,520	
Appropriation to surplus reserve	-	-	-	559,800	-	(559,800)	-	-	
Appropriation to general reserve	-	-	-	-	561,290	(561,290)	-	-	
Dividend distribution (Note 35)	-	-	-	-	-	(2,353,585)	(50,140)	(2,403,725)	
Disposal of equity investments at fair value	-	-	(25,173)	-	-	25,173	-	-	
As at 31 December 2021	<u>6,888,546</u>	<u>6,230,429</u>	<u>789,488</u>	<u>7,737,394</u>	<u>6,329,025</u>	<u>19,403,750</u>	<u>2,603,481</u>	<u>49,982,113</u>	
As at 1 January 2020	5,740,455	-	1,229,474	6,705,033	5,284,125	14,855,317	1,657,377	35,471,781	
Net profit for the year	-	-	-	-	-	4,856,926	198,391	5,055,317	
Other comprehensive income	-	-	(1,033,183)	-	-	-	(23,787)	(1,056,970)	
Total comprehensive income	-	-	(1,033,183)	-	-	4,856,926	174,604	3,998,347	
Acquisition of a subsidiary	-	-	-	-	-	-	727,272	727,272	
Appropriation to surplus reserve	-	-	-	472,561	-	(472,561)	-	-	
Appropriation to general reserve	-	-	-	-	483,610	(483,610)	-	-	
Dividend distribution (Note 35)	-	-	-	-	-	(1,492,520)	(62,066)	(1,554,586)	
As at 31 December 2020	<u>5,740,455</u>	<u>-</u>	<u>196,291</u>	<u>7,177,594</u>	<u>5,767,735</u>	<u>17,263,552</u>	<u>2,497,187</u>	<u>38,642,814</u>	

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Years ended 31 December	
		2021	2020
Cash flows from operating activities:			
Profit before tax		5,989,651	5,372,109
Adjust for:			
Expected credit losses and asset losses	12	2,443,167	2,774,335
Interest income from financial investments	4	(6,420,779)	(5,980,844)
Interest expense on debt securities issued	4	1,807,963	1,778,187
Interest expense on lease liabilities	4	22,704	17,174
Net trading gains	6	(1,057,806)	(881,282)
Net gains on financial investments	7	(520,932)	(181,903)
Net gains on disposal of property, equipment and other long-term assets	8	(51,444)	(73,453)
Depreciation and amortisation	9	394,884	351,126
Share of profits of associates	20	(33,834)	(24,283)
		<u>2,573,574</u>	<u>3,151,166</u>
Net increase in operating assets:			
Net decrease in balances with central banks		957,795	3,003,430
Net decrease in financial assets held under resale agreements and deposits and placements with banks and other financial institutions		29,525	9,018,517
Net increase in loans and advances to customers		(37,033,326)	(52,354,611)
Net increase in other operating assets		(81,227)	(481,947)
		<u>(36,127,233)</u>	<u>(40,814,611)</u>
Net increase in operating liabilities:			
Net (decrease)/increase in borrowings from central banks		(19,378,760)	28,040,491
Net decrease in financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions		(3,277,452)	(3,598,757)
Net increase in deposits from customers		41,516,634	33,673,990
Net (decrease)/increase in other operating liabilities		(331,944)	932,267
		<u>18,528,478</u>	<u>59,047,991</u>
Cash (used in)/generated from operations		(15,025,181)	21,384,546
Income tax paid		(995,416)	(1,070,229)
Net cash (used in)/generated from operating activities		<u>(16,020,597)</u>	<u>20,314,317</u>

	Note	Years ended 31 December	
		2021	2020
Cash flows from investing activities:			
Cash received from disposal of financial investments		346,415,906	214,106,873
Net cash received from disposal of property, equipment and other long-term assets		66,698	139,110
Cash dividends received		17,372	56,255
Cash paid to acquire financial investments		(354,980,727)	(223,919,224)
Cash paid to acquire property, equipment and other long-term assets		(380,911)	(576,340)
Cash received from investment in a subsidiary, net		–	7,435,252
Net proceeds from other investing activities		170,073	55,351
Net cash used in investing activities		<u>(8,691,589)</u>	<u>(2,702,723)</u>
Cash flows from financing activities:			
Proceeds from issues of shares		7,553,820	–
Cash received for debt securities issued		81,718,948	109,139,297
Cash payments for debt securities issued		(65,918,546)	(118,939,917)
Cash payments for distribution of dividends		(2,403,725)	(1,554,586)
Cash payments for leases		(140,838)	(128,035)
Cash payments for listing expenses		(150,656)	(14,882)
Net cash generated from/(used in) financing activities		<u>20,659,003</u>	<u>(11,498,123)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>(237,598)</u>	<u>(109,086)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(4,290,781)</u>	<u>6,004,385</u>
Cash and cash equivalents at the beginning of the year		<u>29,259,623</u>	<u>23,255,238</u>
Cash and cash equivalents at the end of the year	36	<u><u>24,968,842</u></u>	<u><u>29,259,623</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB thousand, unless otherwise stated)

1 General information

Dongguan Rural Commercial Bank Co., Ltd. (“the Bank”) primary established in 1952, formerly known as Dongguan Rural Credit Cooperative Union (“Dongguan Cooperative Union”). Subsequently, as per the approval by China Banking and Insurance Regulatory Commission (“CBIRC”, formerly China Banking Regulatory Commission), Dongguan Cooperative Union was restructured into a joint-stock commercial bank, and officially changed its name to Dongguan Rural Commercial Bank Co., Ltd. on 22 December 2009.

The Bank was listed on the Stock Exchange of Hong Kong Limited on 29 September 2021.

The Bank operates under financial services certificate NO. B1054H244190001 issued by CBIRC, and the Business License issued by the State Administration for Industry and Commerce of the People’s Republic of China (registration ID: 914419007829859746). The registered address is Hongfu East Road No. 2, Dongcheng District, Dongguan, Guangdong.

The Bank and its subsidiaries (collectively referred to as “the Group”) operate in the People’s Republic of China (the “PRC”) and are principally engaged in the following activities: corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by CBIRC.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied to relevant periods presented unless otherwise stated.

2.1 Basis of preparation

The financial information of the Group have been prepared in accordance with all the applicable International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622), the Group first time adopted IFRSs as at 1 January 2017.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2021 including IFRS 9, IFRS 15 and IFRS 16, are consistently applied to the Group throughout the the years ended 31 December 2021 and 2020.

The financial information has been prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

The preparation of the financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to financial information are presented in Note 3.

2 Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.1 New and revised IFRSs issued but not yet effective

		Effective for the annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	Minor Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

The Group does not expect that adoption of these standards will have a significant impact on the Group's financial position and performance.

2 Summary of significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.1 New and revised IFRSs issued but not yet effective (Cont'd)

The financial information include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2.2 Consolidated financial statements

2.2.1 Basis of consolidation

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

2 Summary of significant accounting policies (Cont'd)

2.2 Consolidated financial statements (Cont'd)

2.2.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the statement of comprehensive income as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

2.2.3 Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

2 Summary of significant accounting policies (Cont'd)

2.2 Consolidated financial statements (Cont'd)

2.2.3 Goodwill (Cont'd)

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognised directly in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognised, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 Summary of significant accounting policies (Cont'd)

2.4 Foreign currency translation

The functional currency of the Group is Chinese RMB (“RMB”). The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated statement of profit or loss in the period in which they arise.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

2.5 Interest income and expense

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortised cost, presented as “interest income” and interest expenses” respectively. For specific accounting policies, please refer to the Note 2.12 Subsequent measurement of financial instruments for related accounting policies.

2.6 Fee and commission income

Fee and commission income is recognised when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service. For the performance obligations satisfied at a point in time, the Group recognises revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement & clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognises revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

2 Summary of significant accounting policies (Cont'd)

2.7 Dividend income

Dividend is recognised in profit or loss only when the Group's right to receive payment of the dividends is established.

2.8 Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants. Government grants are measured at the amount received or will be received when recognised as monetary assets. Government grants are measured at fair value when recognised as non-monetary assets.

2.9 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss. Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognised in the consolidated statement of profit or loss for the period in which the related payment obligation is incurred.

2 Summary of significant accounting policies (Cont'd)

2.9 Employee benefits (Cont'd)

Post-employment benefits (Cont'd)

The employees of the Bank participate in an annuity scheme established by the Bank (the “Annuity Scheme”). The Bank pays annuity contributions with reference to employees’ salaries, and such contributions are expensed in the consolidated statement of profit or loss when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

2.10 Taxation

Current and deferred income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognised for temporary difference related to goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

2 Summary of significant accounting policies (Cont'd)

2.10 Taxation (Cont'd)

Current and deferred income tax (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in the consolidated statement of profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Value-added tax ("VAT")

The Group's interest income, fee and commission income, trading gain on financial products and insurance premium income are presented net of their respective VAT in the consolidated financial statements.

2.11 Precious metals

Precious metal refers to gold. Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognised at fair value, with changes in fair value arising from re-measurement recognised directly in the consolidated statement of profit or loss in the period in which they arise.

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments

2.12.1 Initial recognition, classification and measurement of financial instruments

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(1) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

- (i) AC;
- (ii) FVOCI; or
- (iii) FVTPL.

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.1 Initial recognition, classification and measurement of financial instruments (Cont'd)

(1) Financial assets (Cont'd)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- (i) AC: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost.
- (ii) FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI.

2 Summary of significant accounting policies *(Cont'd)*

2.12 Financial instruments *(Cont'd)*

2.12.1 Initial recognition, classification and measurement of financial instruments *(Cont'd)*

(1) Financial assets *(Cont'd)*

Debt Instruments *(Cont'd)*

- (iii) FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL.

The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity instruments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity instrument at FVOCI.

(2) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities carried at amortised cost on initial recognition. Financial liabilities at FVTPL is applied to derivatives and financial liabilities held for trading.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expenses incurred on the financial liability.

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.2 Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

2.12.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.4 Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on their classification:

(1) Amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets is included in "Interest income" and "interest expenses" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

- (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost; and

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.4 Subsequent measurement of financial instruments (Cont'd)

Subsequent measurement of financial instruments depends on their classification:
(Cont'd)

- (1) Amortised cost (Cont'd)
 - (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e.net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.
- (2) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as investment income when the Group's right to receive payments is established.

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.4 Subsequent measurement of financial instruments (Cont'd)

- (3) Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated statement of profit or loss within "Net trading (losses)/gains " in the period in which it arises, unless it arises from Debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separated in "Net (losses)/gains on financial investments".

- (4) Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL are measured at fair value with all gains or losses recognised in the profit or loss.

2.12.5 Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows discounted by the original effective interest rate that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i.e., the present value of all cash shortfalls (among them, for the purchased or originated credit-impaired financial assets, discount shall be based on the credit-adjusted effective interest rate of the financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money;

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.5 Impairment of financial instruments (Cont'd)

- (iii) reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

The description of inputs, assumptions and estimation techniques used in measuring the ECL is presented in Note 41.1.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognised in other comprehensive income and the impairment loss is recognised in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognised in profit or loss. For POCI financial assets, at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition.

2.12.6 Modification of loans

The Group will renegotiate or modify customer loan contracts due to certain special circumstances at times, which will in turn lead to changes in contract cash flows. In such cases, the Group will assess if there is a substantial change in the modified contractual terms. In making the assessment, factors need to be considered include:

- Where a modification of contract occurs when the borrower is suffering from financial difficulties, whether the modification only reduces the contract cash flows to the amount that is expected to be repaid by the borrower;
- If there's any newly added substantial term, for example, a term in regard to right to profits/equity returns is newly added, resulting in a substantial change in the risk characteristics of the contract;
- The loan term is significantly extended in the absence of financial difficulties for the borrower;

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.6 Modification of loans (Cont'd)

- Material change happens to the loan interest rate;
- Change happens to the loan currency;
- New collateral and other credit enhancements dramatically change the level of loan credit risk.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a “new” asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

2.12.7 Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.7 Derecognition (Cont'd)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the consolidated statement of profit or loss.

Financial liabilities are derecognised when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

2.12.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the Group becomes a contractual party of a derivative contract and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives, such as foreign exchange rate based interest payments embedded in structured deposits, are embedded into hybrid contracts. In the case of a hybrid contract whose host contract is a financial asset, it is classified and measured as a whole. In the case of a hybrid contract whose host contract is not a financial asset, the embedded derivatives are separated as independent derivatives if the following criterion are met:

- The economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract;
- The instruments that have the same terms but exist independently meet the definition of derivatives; and
- The hybrid instruments are not designated at fair value and changes included into the profits and losses for the period.

The Group can either designate the separated embedded derivatives as at fair value and changes included into the profits and losses for the period or designate the hybrid contract whose host contract is not related to financial assets as at fair value and changes included into the profits and losses for the period.

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.9 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) The Group has the legal right to offset the recognised amount, and the legal right is enforceable; (ii) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously. The right of offset shall not depend on future events. In ordinary course of business between the Group and all the counterparties, or when breach of contract, insolvency or bankruptcy occurs, the Group has the right to execute such legal right.

2.12.10 Repurchase agreements and resale agreement

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognised. They continue to be recorded as investments classified as financial investments at amortised cost or financial investments at fair value through other comprehensive income as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognised are presented in Note 38 – Contingent liabilities and commitments – Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related collateral accepted is not recognised in the consolidated financial statements (Note 38 – Contingent liabilities and commitments – Collateral).

The difference between the purchase and sale price is recognised as interest expense or income in the consolidated statement of profit or loss over the term of the agreements using the effective interest method.

2 Summary of significant accounting policies (Cont'd)

2.12 Financial instruments (Cont'd)

2.12.11 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit or loss.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.13 Property and equipment

Property and equipment is asset held by the Group for the conduct of business and is expected to be used for more than one year. Construction-in-progress, an item of property, represents property under construction and is transferred to property when ready for its intended use.

(a) Cost

Property and equipment is stated at cost upon initial recognition. Costs of a purchased property and equipment comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed property and equipment comprise construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

2 Summary of significant accounting policies (Cont'd)

2.13 Property and equipment (Cont'd)

(a) Cost (Cont'd)

Subsequent to initial recognition, property and equipment is stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group recognises in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of profit or loss as an expense when incurred.

(b) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of property and equipment and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives and depreciation rate (amortisation rate) are as follows:

Category of assets	Estimated useful lives	Depreciation rates
Buildings	20 years	5.00%
Motor vehicles	4 years	25.00%
Machinery and equipment	10 years	10.00%
Electronic equipment	3 years	33.33%
Other equipment	5 years	20.00%
Decoration and renovation	5 years	20.00%

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

2 Summary of significant accounting policies (Cont'd)

2.13 Property and equipment (Cont'd)

(c) Disposal and retirement

Gains or losses arising from the disposal or retirement of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss on the date of disposal or retirement.

(d) Construction in progress

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

2.14 Intangible assets

Intangible assets are initially recognised at cost. The cost less estimated net residual values (if any) of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses. The useful lives of the Group's intangible assets are 3 years. The amortization rate of the Group's intangible assets is 33%. The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

Intangible assets which are not yet available for use should be estimated at least at each financial year-end, even if there was no indication that the assets were impaired.

2.15 Investment properties

Investment property is property held to earn rental income or for capital appreciation, or both.

2 Summary of significant accounting policies (Cont'd)

2.15 Investment properties (Cont'd)

Investment properties are initially measured at cost, including costs that are directly attributable to the properties at the time of acquisition. The Bank adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives and depreciation rate (amortisation rate) are as follows:

Category of assets	Estimated useful lives	Depreciation rates
Buildings	20 years	5.00%
Land use rights	<u>20/50 years</u>	<u>5.00%/2.00%</u>

As at the balance sheet date, the Group reviews investment properties item by item. If the carrying amount of an asset is higher than the estimated recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is recognised at the higher of the fair value less cost of sales and value in use.

2.16 Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognised in the consolidated statement of profit or loss.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated statement of profit or loss in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

2.17 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss.

2 Summary of significant accounting policies (Cont'd)

2.18 Dividend distribution

Dividend distribution to the Bank's equity holders is recognised as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the equity holders in the annual general meeting of the Bank.

2.19 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable.

2.21 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

2.22 Lease

Lease refers to the contract that the lessor transfers the rights of use to the lessee in a certain period of time.

2 Summary of significant accounting policies (Cont'd)

2.22 Lease (Cont'd)

As a lessee

At the commencement date, the Group shall recognise the right-of-use asset and the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments and proceeds paid when the lessee is reasonably certain to exercise the option to purchase or termination options. Variable rent calculated at a certain proportion of the sales amount is not included in the lease payments and is recognised in profit or loss for the current period when it is incurred.

The Group's right-of-use assets include buildings held under lease. Right-of-use assets are initially measured at cost, which includes the initial measurement of lease liabilities, lease payments paid at or before the commencement date, initial direct cost, etc., less the any lease incentives. When the Group can reasonably determine that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over its estimated useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life. The carrying amounts of property and equipment are reduced to the recoverable amounts when the recoverable amounts are below the carrying amounts of the right-of-use asset.

For a short-term lease that has a lease term of 12 months or less, the Group select not to recognise right-of-use assets and lease liabilities and the relevant rental expenses are recognised in profit or loss for the current period or relevant cost of assets on a straight-line basis over each period of the lease.

As a lessor

The Group leases out self-owned buildings, machinery and equipment and motor vehicles, the rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Variable rent calculated at a certain proportion of the sales amount is recognised in rental income when it is incurred.

2.23 Land use rights

The Group recognises land use rights as right-of-use assets. Land use rights are initially measured at cost and amortised on a straight-line basis over their statutory useful lives. The cost of land use rights is amortised on a straight-line basis over the granted using period and is recognised in profit or loss for the current period. For land use rights, when charging the depreciation, the accumulated amount of provision for impairment losses will be deducted.

2 Summary of significant accounting policies (Cont'd)

2.24 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognised in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

2.25 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

2.26 Operation segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

2 Summary of significant accounting policies *(Cont'd)*

2.26 Operation segments *(Cont'd)*

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

3 Critical accounting estimates and judgement

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(1) Measurement of expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 41.1 Credit risk.

It requires a lot of significant judgements to measure ECL under relevant accounting standards, such as:

- Segmentation of portfolio sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether there was a significant increase in credit risk, or a default or credit impaired was occurred;
- Economic indicators used in the forward-looking measurement, and the application of economic scenarios and weightings; and
- Estimation of future cash flows for corporate loans and advances and debt investments in stage 3.

Detailed information on the above judgements and estimates is set out in Note 41.1.

3 Critical accounting estimates and judgement (Cont'd)

(2) Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

(3) Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(4) Goodwill impairment

Goodwill impairment reviews are undertaken annually or more frequently, and it is also needed if events or changes indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating unit (the "CGU"). The Group forecasts future cash flow of the CGU, and applies appropriate discount rate for the calculation of the present value of future cash flow.

3 Critical accounting estimates and judgement (Cont'd)

(5) Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

4 Net interest income

	Years ended 31 December	
	2021	2020
Interest income		
Balances with central banks	480,594	431,142
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	421,768	377,334
Loans and advances to customers	14,634,694	12,728,284
Financial investments	6,420,779	5,980,844
Sub-total	21,957,835	19,517,604
Interest expense		
Borrowings from central banks	(749,669)	(322,477)
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	(1,268,225)	(1,002,156)
Deposits from customers	(7,575,939)	(6,465,231)
Debt securities issued	(1,807,963)	(1,778,187)
Lease liabilities	(22,704)	(17,174)
Sub-total	(11,424,500)	(9,585,225)
Net interest income	10,533,335	9,932,379

5 Net fee and commission income

	Years ended 31 December	
	2021	2020
Fee and commission income		
Bank cards	245,961	350,439
Wealth management agency services	359,832	328,722
Custodian and other fiduciary	263,291	187,656
Settlement and clearing services	76,801	56,608
Others	44,940	71,650
Sub-total	<u>990,825</u>	<u>995,075</u>
Fee and commission expense	(198,516)	(54,696)
Net fee and commission income	<u>792,309</u>	<u>940,379</u>

6 Net trading gains

	Years ended 31 December	
	2021	2020
Net gains on financial assets held for trading	1,040,124	779,059
Exchange gains	17,213	104,490
Gains/(losses) on precious metal, net	469	(2,267)
Total	<u>1,057,806</u>	<u>881,282</u>

7 Net gains on financial investments

	Years ended 31 December	
	2021	2020
Net gains on debt instrument investments at fair value through other comprehensive income	368,432	384,266
Net gains/(losses) on other financial assets at fair value through profit or loss	41,877	(239,737)
Net gains on derecognition of financial assets measured at amortised cost	70,849	3,057
Dividend income from equity instruments	39,774	34,317
Total	520,932	181,903

8 Other operating Income

	Years ended 31 December	
	2021	2020
Gains on disposal of property, equipment and other long term assets	51,444	73,453
Rental income	27,950	24,381
Government grants (a)	8,078	1,800
Others	4,460	11,470
Total	91,932	111,104

- (a) Government grants comprise targeted subsidies from the MOF and Municipal Governments aiming to enhance local economic growth and encourage the establishment of rural banks.

9 Operating expenses

	Years ended 31 December	
	2021	2020
Staff costs (including emoluments of directors and supervisors) (Note 10)	3,195,543	2,718,786
Taxes and surcharges	155,407	128,287
General and administrative expenses	844,017	722,968
Depreciation and amortisation	394,884	351,126
Auditors' remuneration	7,479	3,719
– Audit service	6,090	2,842
– Non – audit service	1,389	877
Total	4,597,330	3,924,886

10 Staff costs (including emoluments of directors and supervisors)

	Years ended 31 December	
	2021	2020
Salaries, bonuses, allowances and subsidies	2,410,693	2,005,105
Pension and other social benefits	592,537	475,702
Enterprise annuity scheme	142,216	152,383
Others	50,097	85,596
Total	3,195,543	2,718,786

11 Emoluments of directors, supervisors and the highest-paid staff

(a) Emoluments of directors and supervisors are as follows:

Name	Year ended 31 December 2021					Total
	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
Chairman						
Wang Yaoqiu	-	1,386	2,640	88	103	4,217
Executive directors						
Fu Qiang	-	1,386	2,904	87	103	4,480
Ye Jianguang	-	1,136	2,167	89	103	3,495
Chen Wei	-	1,136	2,383	87	103	3,709
Non-executive directors						
Lai Chun Tung	230	-	-	-	-	230
Wang Junyang	230	-	-	-	-	230
Cai Guowei	230	-	-	-	-	230
Ye Jinquan	230	-	-	-	-	230
Chen Haitao	230	-	-	-	-	230
Zhang Qingxiang	230	-	-	-	-	230
Chen Weiliang	230	-	-	-	-	230
Independent directors						
Yip Tai Him	230	-	-	-	-	230
Xu Zhi	230	-	-	-	-	230
Shi Wenfeng	230	-	-	-	-	230
Tan Fulong	230	-	-	-	-	230
Liu Yuou	230	-	-	-	-	230
Xu Tingting	230	-	-	-	-	230
Supervisors						
Chen Sheng	-	1,136	2,167	87	103	3,493
Deng Yanwen	-	614	1,878	84	103	2,679
Wu Lixin	-	574	1,078	78	101	1,831
Liang Zhifeng	-	579	1,869	77	103	2,628
Lu Chaoping	230	-	-	-	-	230
Wang Zhujin	230	-	-	-	-	230
Liang Jiepeng	230	-	-	-	-	230
Zou Zhibiao	230	-	-	-	-	230
Wei Haiying	230	-	-	-	-	230
Yang Biao	230	-	-	-	-	230
Zhang Bangyong	230	-	-	-	-	230
Mai Xiuhua	230	-	-	-	-	230
Executive directors who resigned						
Ye Yunfei (1)	-	864	1,645	86	103	2,698
Total	<u>4,830</u>	<u>8,811</u>	<u>18,731</u>	<u>763</u>	<u>925</u>	<u>34,060</u>

(1) Ye Yunfei resigned as executive director in April 2021.

11 Emoluments of directors, supervisors and the highest-paid staff (Cont'd)

(a) Emoluments of directors and supervisors are as follows: (Cont'd)

Name	Year ended 31 December 2020					Total
	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
Chairman						
Wang Yaoqiu	-	1,383	2,891	55	82	4,411
Executive directors						
Fu Qiang	-	1,383	2,897	55	82	4,417
Ye Jianguang	-	1,135	2,166	56	82	3,439
Chen Wei	-	1,135	2,166	55	82	3,438
Ye Yunfei (1)	-	862	1,654	55	82	2,653
Non-executive directors						
Lai Chun Tung	230	-	-	-	-	230
Wang Junyang	230	-	-	-	-	230
Cai Guowei	230	-	-	-	-	230
Ye Jinquan	230	-	-	-	-	230
Chen Haitao	230	-	-	-	-	230
Zhang Qingxiang	230	-	-	-	-	230
Chen Weiliang	230	-	-	-	-	230
Independent directors						
Yip Tai Him	230	-	-	-	-	230
Xu Zhi	230	-	-	-	-	230
Shi Wenfeng	230	-	-	-	-	230
Tan Fulong	230	-	-	-	-	230
Liu Yuou	230	-	-	-	-	230
Xu Tingting	230	-	-	-	-	230
Supervisors						
Chen Sheng	-	1,135	2,166	55	82	3,438
Deng Yanwen	-	668	1,816	54	82	2,620
Wu Lixin	-	508	1,347	53	82	1,990
Liang Zhifeng	-	536	1,338	53	82	2,009
Lu Chaoping	230	-	-	-	-	230
Wang Zhujin	230	-	-	-	-	230
Liang Jiepeng	230	-	-	-	-	230
Zou Zhibiao	230	-	-	-	-	230
Wei Haiying	230	-	-	-	-	230
Yang Biao	230	-	-	-	-	230
Zhang Bangyong	230	-	-	-	-	230
Mai Xiuhua	230	-	-	-	-	230
Total	4,830	8,745	18,441	491	738	33,245

(1) Ye Yunfei resigned as executive director in April 2021.

11 Emoluments of directors, supervisors and the highest-paid staff (Cont'd)

(b) Five highest paid individuals:

The five highest paid individuals comprises directors, supervisor and non-director and non-supervisor as below:

	Years ended 31 December	
	2021	2020
Directors	4	4
Supervisor	1	1
Non-director and non-supervisor(i)	2	3
Total	7	8

- (i) For the years ended 31 December 2021 and 2020, the emoluments of the directors and supervisors who are among the five highest paid individuals are reflected in the analysis presented above. Three individuals are tied for fifth place in 2021 and four individuals are tied for fifth place in 2020. The emoluments payable to the remaining individuals during the years ended 31 December 2021 and 2020 are as follows:

	Years ended 31 December	
	2021	2020
Salaries, subsidies and other benefits	2,446	3,570
Discretionary bonuses	4,334	6,713
Pension plan contributions	206	246
Total	6,986	10,529

The emoluments payable to the remaining individuals during the years ended 31 December 2021 and 2020 fell within the following band:

	Years ended 31 December	
	2021	2020
HK\$4,000,001 to HK\$4,500,000	2	3

11 Emoluments of directors, supervisors and the highest-paid staff (Cont'd)

(c) Other benefits and interests of directors and supervisors

For the years ended 31 December 2021 and 2020, the Group:

- paid no emoluments to any director, supervisor, senior management or any of the five highest paid individuals as its bonus for joining, or compensation for termination.
- paid no retirement benefits to any director, supervisor, senior management or any of five highest paid individuals except for enterprise Annuity Scheme and Pension Scheme (Note 2.9 Employee benefits).
- paid no consideration to any third party for related services provided to the Group by directors or supervisors;
- no director or supervisor waived any emolument;
- directors or supervisors had no direct or indirect material interest in any material transactions, arrangements or contracts in relation to the Group's business.

The loans issued by the Group to its directors, supervisors or certain controlled body corporates and connected entities of the directors or supervisors and the balances were disclosed in Note 39. The Group provided no guarantee or security for the loans of any directors, supervisors or certain controlled body corporates and connected entities of the directors or supervisors.

12 Expected credit losses and asset losses

	Years ended 31 December	
	2021	2020
Loans and advances to customers		
– Measured at amortised cost	1,948,070	295,226
– Measured at fair value through other comprehensive income	42,484	3,589
Financial investments		
– Measured at amortised cost	289,953	(5,064)
– Measured at fair value through other comprehensive income	88,247	93,894
Loan commitments and guarantee contracts	29,976	5,463
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	21,697	7,381
Other assets	22,740	75,666
Asset losses (Note 31(c))	–	2,298,180
Total	2,443,167	2,774,335

13 Income tax expense

	Years ended 31 December	
	2021	2020
Current income tax	775,806	971,354
Deferred income tax (Note 24)	(489,075)	(654,562)
Total	286,731	316,792

13 Income tax expense (Cont'd)

The actual amount of tax paid by the Group is different from the amount calculated based on the profit before tax of the Group and statutory tax rate applicable to the Group. The major adjustments are as follows:

	Years ended 31 December	
	2021	2020
Profit before tax	5,989,651	5,372,109
Income tax calculated at statutory tax rate of 25%	1,497,413	1,343,027
Tax effect of income not taxable for tax purpose (a)	(1,233,141)	(1,106,803)
Share of profits of associates	(8,814)	(6,071)
Non-deductible expenses	33,181	57,669
Effect of preferential tax rate applicable to a subsidiary (b)	(1,908)	(178)
Adjustments for current tax of prior periods	—	29,148
Income tax expense	<u>286,731</u>	<u>316,792</u>

- (a) The non-taxable income of the Group includes interest income from PRC treasury bonds, municipal government bonds and dividend income.
- (b) From 1 January 2013 to 31 December 2030, the Group's subsidiary, Hezhou Babu Dongying County Bank Company Limited is entitled to a preferential income tax rate of 15%.

14 Basic and diluted earnings per share

- (a) Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the years.

	Years ended 31 December	
	2021	2020
Net profit attributable to the shareholders of the Bank (RMB'000)	5,589,700	4,856,926
Weighted average number of ordinary shares (thousand shares)	<u>6,027,478</u>	<u>5,740,455</u>
Basic earnings per share (RMB)	<u>0.93</u>	<u>0.85</u>

14 Basic and diluted earnings per share (Cont'd)

(b) Diluted earnings per share

For the years ended 31 December 2021 and 2020, the Bank had no potential diluted ordinary share, so the diluted earnings per share equaled the basic earnings per share.

15 Cash and balances with central banks

	As at 31 December	
	2021	2020
Cash	2,959,804	2,432,295
Mandatory reserve deposits with central banks (a)	26,083,463	26,984,226
Surplus reserve deposits (b)	6,978,180	8,913,037
Other deposits with the central bank (c)	176,459	233,943
Sub-total	36,197,906	38,563,501
Accrued interest	13,405	12,953
Total	36,211,311	38,576,454

- (a) Mandatory reserve deposits with central banks represent the general reserve that the Group maintains with the People's Bank of China ("PBOC") in accordance with relevant regulations. The deposit ratios for the reserve of the Bank as at 31 December 2021 and 2020 were as follows, respectively:

	As at 31 December	
	2021	2020
Mandatory reserve rate for deposits denominated in RMB	6.5%	7.5%
Mandatory reserve rate for deposits denominated in foreign currencies	9.0%	5.0%

The aforementioned mandatory reserve deposits with central banks cannot be used for daily operating activities. The ratios for RMB deposits in the reserve of the Bank's subsidiaries are in accordance with regulations of the PBOC.

15 Cash and balances with central banks (Cont'd)

- (b) Surplus reserve deposits with central banks are mainly for the purpose of clearing and settlement.
- (c) Other deposits with the central banks primarily represent fiscal deposits that are not available for use in the Group's daily operations, and are non-interest bearing from government.

16 Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

	As at 31 December	
	2021	2020
Deposits with domestic banks and other financial institutions	4,638,314	7,445,852
Deposits with overseas banks and other financial institutions	4,724,001	4,861,029
Placements with domestic banks and other financial institutions	1,640,000	890,822
Bonds held under resale agreements (a)	4,826,568	5,542,874
Sub-total	15,828,883	18,740,577
Accrued interest	13,770	15,034
Provision for impairment losses	(69,874)	(48,177)
Total	15,772,779	18,707,434

- (a) As at 31 December 2021 and 2020, the Group did not use financial assets held under resale agreements as pledged or mortgaged assets for repurchase agreements with other financial institutions. The collateral received by the Group under resale agreements is presented in Note 38.

17 Loans and advances to customers

(a) Loans and advances to customers are summarised as follows:

	As at 31 December	
	2021	2020
Loans and advances to customers measured at amortised cost		
Corporate loans and advances		
– Corporate loans	159,988,254	134,299,305
– Discounted bills	1,400,868	1,318,294
	<u>161,389,122</u>	<u>135,617,599</u>
Personal loans and advances		
– Property mortgages	40,260,382	37,665,358
– Personal consumption loans	32,743,978	26,517,031
– Business loans	29,199,175	25,609,633
– Credit cards	6,663,366	8,223,874
	<u>108,866,901</u>	<u>98,015,896</u>
Accrued interest	598,457	531,968
Total loans and advances to customers measured at amortised cost	<u>270,854,480</u>	<u>234,165,463</u>
Impairment provision for loans and advances measured at amortised cost		
– Provision for ECL	<u>(9,028,895)</u>	<u>(7,340,817)</u>
Net book value of loans and advances to customers at amortised cost	<u>261,825,585</u>	<u>226,824,646</u>
Loans and advances to customers at fair value through other comprehensive income		
Corporate loans and advances		
– Rediscounted bills	24,465,703	25,442,797
– Other loans	3,393,246	2,374,319
Net loans and advances to customers	<u>289,684,534</u>	<u>254,641,762</u>

As at 31 December 2021 and 2020, the expected credit loss rates for loans and advances to customers at amortised cost of the Group were 3.33% and 3.13% respectively.

17 Loans and advances to customers (Cont'd)

- (b) Changes in provision for impairment losses of loans and advances to customers by assessment type:

Corporate loans and advances to customers measured at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	2,406,004	1,755,896	1,523,624	5,685,524
Originated or purchased	1,028,921	-	-	1,028,921
Repayment and transfer out	(1,080,802)	(1,177,960)	(378,888)	(2,637,650)
Write-off	-	-	(612,316)	(612,316)
Remeasurement (i)	(629,976)	2,507,396	1,671,262	3,548,682
Net transfers in:				
– Stage 1	(128,933)	-	-	(128,933)
– Stage 2	-	(649,791)	-	(649,791)
– Stage 3	-	-	778,724	778,724
As at 31 December 2021	<u>1,595,214</u>	<u>2,435,541</u>	<u>2,982,406</u>	<u>7,013,161</u>
As at 1 January 2020	2,253,170	1,221,114	2,244,738	5,719,022
Originated or purchased	1,383,252	-	-	1,383,252
Repayment and transfer out	(1,166,897)	(732,754)	(565,730)	(2,465,381)
Write-off	-	-	(669,115)	(669,115)
Remeasurement (i)	(60,438)	1,556,244	221,940	1,717,746
Net transfers in:				
– Stage 1	(3,083)	-	-	(3,083)
– Stage 2	-	(288,708)	-	(288,708)
– Stage 3	-	-	291,791	291,791
As at 31 December 2020	<u>2,406,004</u>	<u>1,755,896</u>	<u>1,523,624</u>	<u>5,685,524</u>

- (i) Remeasurement are caused by parameter changes or transfers between stages.

As at 31 December 2021, the provision for impairment losses of loans and advances to customers at fair value through other comprehensive income was RMB62.261 million (2020: RMB19.778 million). For the years ended 31 December 2021 and 2020, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

17 Loans and advances to customers (Cont'd)

- (b) Changes in provision for impairment losses of loans and advances to customers by assessment type (Cont'd):

Personal loans and advances to customers measured at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	777,977	196,788	680,528	1,655,293
Originated or purchased	484,076	-	-	484,076
Repayment and transfer out	(314,266)	(102,101)	(170,542)	(586,909)
Write-off	-	-	(205,625)	(205,625)
Remeasurement (i)	(12,437)	201,170	480,166	668,899
Net transfers in:				
- Stage 1	13,564	-	-	13,564
- Stage 2	-	(66,092)	-	(66,092)
- Stage 3	-	-	52,528	52,528
As at 31 December 2021	<u>948,914</u>	<u>229,765</u>	<u>837,055</u>	<u>2,015,734</u>
As at 1 January 2020	1,102,866	146,390	326,250	1,575,506
Originated or purchased	438,361	-	-	438,361
Repayment and transfer out	(362,336)	(85,350)	(109,815)	(557,501)
Write-off	-	-	(117,451)	(117,451)
Remeasurement (i)	(408,554)	229,613	495,319	316,378
Net transfers in:				
- Stage 1	7,640	-	-	7,640
- Stage 2	-	(93,865)	-	(93,865)
- Stage 3	-	-	86,225	86,225
As at 31 December 2020	<u>777,977</u>	<u>196,788</u>	<u>680,528</u>	<u>1,655,293</u>

- (i) Remeasurement are caused by parameter changes or transfers between stages.

17 Loans and advances to customers (Cont'd)

(c) Analyzed by movements in carrying amount:

Corporate loans and advances to customers measured at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	130,636,560	3,334,835	1,957,422	135,928,817
Originated or purchased	92,435,715	-	-	92,435,715
Repayment and transfer out	(63,429,495)	(1,978,955)	(601,703)	(66,010,153)
Write-off	-	-	(612,316)	(612,316)
Net transfers in:				
- Stage 1	(7,340,329)	-	-	(7,340,329)
- Stage 2	-	4,172,083	-	4,172,083
- Stage 3	-	-	3,168,246	3,168,246
As at 31 December 2021	<u>152,302,451</u>	<u>5,527,963</u>	<u>3,911,649</u>	<u>161,742,063</u>
As at 1 January 2020	102,817,020	2,471,413	2,758,063	108,046,496
Acquisition of a subsidiary (i)	1,054,986	-	-	1,054,986
Originated or purchased	84,163,397	-	-	84,163,397
Repayment and transfer out	(54,207,991)	(1,659,679)	(799,277)	(56,666,947)
Write-off	-	-	(669,115)	(669,115)
Net transfers in:				
- Stage 1	(3,190,852)	-	-	(3,190,852)
- Stage 2	-	2,523,101	-	2,523,101
- Stage 3	-	-	667,751	667,751
As at 31 December 2020	<u>130,636,560</u>	<u>3,334,835</u>	<u>1,957,422</u>	<u>135,928,817</u>

(i) For the year ended 31 December 2020, the credit impaired corporate loans and advances to customers acquired from the subsidiary amounted to RMB17,439 thousand.

For the years ended 31 December 2021 and 2020, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

17 Loans and advances to customers (Cont'd)

(c) Analyzed by movements in carrying amount (Cont'd):

Personal loans and advances to customers measured at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	96,757,729	644,898	834,019	98,236,646
Originated or purchased	50,286,008	-	-	50,286,008
Repayment and transfer out	(38,534,226)	(347,217)	(323,169)	(39,204,612)
Write-off	-	-	(205,625)	(205,625)
Net transfers in:				
– Stage 1	(1,332,589)	-	-	(1,332,589)
– Stage 2	-	533,086	-	533,086
– Stage 3	-	-	799,503	799,503
As at 31 December 2021	<u>107,176,922</u>	<u>830,767</u>	<u>1,104,728</u>	<u>109,112,417</u>
As at 1 January 2020	79,311,018	511,260	427,911	80,250,189
Acquisition of a subsidiary (i)	1,207,002	-	-	1,207,002
Originated or purchased	49,477,704	-	-	49,477,704
Repayment and transfer out	(32,044,701)	(367,703)	(168,395)	(32,580,799)
Write-off	-	-	(117,450)	(117,450)
Net transfers in:				
– Stage 1	(1,193,294)	-	-	(1,193,294)
– Stage 2	-	501,341	-	501,341
– Stage 3	-	-	691,953	691,953
As at 31 December 2020	<u>96,757,729</u>	<u>644,898</u>	<u>834,019</u>	<u>98,236,646</u>

(i) For the year ended 31 December 2020, the credit impaired personal loans and advances to customers acquired from the subsidiary amounted to RMB2,523 thousand.

17 Loans and advances to customers (Cont'd)

(d) Loans and advances to customers by assessment type:

As at 31 December 2021	Carrying amounts			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers				
– Corporate loans and advances	180,161,400	5,527,963	3,911,649	189,601,012
– Personal loans and advances	107,176,922	830,767	1,104,728	109,112,417
Provision for ECL	<u>(2,544,128)</u>	<u>(2,665,306)</u>	<u>(3,819,461)</u>	<u>(9,028,895)</u>
Net loans and advances to customers	<u>284,794,194</u>	<u>3,693,424</u>	<u>1,196,916</u>	<u>289,684,534</u>

As at 31 December 2020	Carrying amounts			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers				
– Corporate loans and advances	158,453,676	3,334,835	1,957,422	163,745,933
– Personal loans and advances	96,757,729	644,898	834,019	98,236,646
Provision for ECL	<u>(3,183,981)</u>	<u>(1,952,684)</u>	<u>(2,204,152)</u>	<u>(7,340,817)</u>
Net loans and advances to customers	<u>252,027,424</u>	<u>2,027,049</u>	<u>587,289</u>	<u>254,641,762</u>

18 Financial investments

	Note	As at 31 December	
		2021	2020
Financial assets at fair value through profit or loss	18.1	43,512,900	36,101,567
Financial investments at amortised cost	18.2	108,445,277	111,667,933
Financial investments at fair value through other comprehensive income	18.3	90,303,467	79,943,601
Total		242,261,644	227,713,101

18.1 Financial assets at fair value through profit or loss

	As at 31 December	
	2021	2020
Measured at fair value through profit or loss		
– Held for trading	29,637,346	32,639,420
– Other financial assets at fair value through profit or loss	13,875,554	3,462,147
Total	43,512,900	36,101,567
Listed in Mainland China		
– Government bonds	5,105,750	5,961,279
– Financial institution bonds	13,882,059	3,153,794
– Corporate bonds	1,449,195	3,027,470
– Interbank certificates of deposits	574,207	–
– Fund Investments	17,690,169	20,496,877
Sub-total	38,701,380	32,639,420
Unlisted		
– Rights to earnings on credit assets (a)	4,811,520	3,434,843
– Others	–	27,304
Sub-total	4,811,520	3,462,147
Total	43,512,900	36,101,567

- (a) As at 31 December 2021 and 2020, the rights to earnings on credit assets are invested in loan and foreclosed assets.

18 Financial investments (Cont'd)

18.2 Financial investments at amortised cost

	As at 31 December	
	2021	2020
Listed in Mainland China		
– Government bonds	74,839,362	75,986,548
– Financial institution bonds	21,327,897	16,446,750
– Corporate bonds	7,536,306	7,378,596
– Interbank certificates of deposits	2,819,457	9,210,778
Sub-total	<u>106,523,022</u>	<u>109,022,672</u>
Unlisted		
– Rights to earnings on credit assets (18.1(a))	270,000	902,634
– Certificate treasury bonds	180,176	104,772
Sub-total	<u>450,176</u>	<u>1,007,406</u>
Accrued interest	1,882,996	1,758,819
Provision for ECL	(410,917)	(120,964)
Total	<u><u>108,445,277</u></u>	<u><u>111,667,933</u></u>

18 Financial investments (Cont'd)

18.2 Financial investments at amortised cost (Cont'd)

(1) Analyzed by movements in loss allowance:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	99,883	3,112	17,969	120,964
Originated or purchased	102,477	-	-	102,477
Repayment and transfer out	(28,687)	(1,753)	(17,969)	(48,409)
Remeasurement (i)	58,525	177,360	-	235,885
Net transfers in:				
- Stage 1	(1,198)	-	-	(1,198)
- Stage 2	-	1,198	-	1,198
- Stage 3	-	-	-	-
As at 31 December 2021	<u>231,000</u>	<u>179,917</u>	<u>-</u>	<u>410,917</u>
As at 1 January 2020	119,916	6,112	-	126,028
Originated or purchased	38,973	-	-	38,973
Repayment and transfer out	(75,059)	(2,382)	-	(77,441)
Remeasurement (i)	16,334	592	16,478	33,404
Net transfers in:				
- Stage 1	(281)	-	-	(281)
- Stage 2	-	(1,210)	-	(1,210)
- Stage 3	-	-	1,491	1,491
As at 31 December 2020	<u>99,883</u>	<u>3,112</u>	<u>17,969</u>	<u>120,964</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

As at 31 December 2021 and 2020, the expected credit loss rates for financial investments at amortised cost of the Group were 0.26% and 0.11% respectively.

18 Financial investments (Cont'd)

18.2 Financial investments at amortised cost (Cont'd)

(2) Analyzed by movements in carrying amount:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	111,554,858	181,001	53,038	111,788,897
Originated or purchased	42,680,272	-	-	42,680,272
Repayment and transfer out	(45,311,601)	(248,336)	(53,038)	(45,612,975)
Net transfers in:				
- Stage 1	(483,117)	-	-	(483,117)
- Stage 2	-	483,117	-	483,117
- Stage 3	-	-	-	-
As at 31 December 2021	<u>108,440,412</u>	<u>415,782</u>	<u>-</u>	<u>108,856,194</u>
As at 1 January 2020	86,778,248	217,358	-	86,995,606
Acquisition of a subsidiary (i)	16,487,788	-	-	16,487,788
Originated or purchased	33,891,102	-	-	33,891,102
Repayment and transfer out	(25,508,839)	(76,760)	-	(25,585,599)
Net transfers in:				
- Stage 1	(93,441)	-	-	(93,441)
- Stage 2	-	40,403	-	40,403
- Stage 3	-	-	53,038	53,038
As at 31 December 2020	<u>111,554,858</u>	<u>181,001</u>	<u>53,038</u>	<u>111,788,897</u>

(i) The financial investments acquired from the subsidiary in 2020 are mainly government bonds, financial institution bonds and interbank certificates of deposits and classified in stage 1.

18 Financial investments (Cont'd)

18.3 Financial investments at fair value through other comprehensive income

	As at 31 December	
	2021	2020
Debt instrument investments at fair value through other comprehensive income		
Listed in Mainland China		
– Government bonds	61,518,638	43,264,031
– Financial institution bonds	17,310,117	16,892,014
– Corporate bonds	5,545,981	16,826,156
– Interbank certificates of deposit	3,919,660	342,939
Sub-total	88,294,396	77,325,140
Unlisted		
– Direct financing instruments for wealth management products (“WMPs”)	–	222,000
– Rights to earnings on credit assets (18.1(a))	28,966	446,175
Sub-total	28,966	668,175
Equity instruments designated at fair value through other comprehensive income		
– Equity investments	697,853	566,705
Accrued interest	1,282,252	1,383,581
Total	90,303,467	79,943,601

18 Financial investments (Cont'd)

18.3 Financial investments at fair value through other comprehensive income (Cont'd)

(1) Analyzed by movements in loss allowance:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	116,451	159,834	2,291,777	2,568,062
Originated or purchased	41,737	-	-	41,737
Repayment and transfer out	(56,400)	(77,908)	(320,133)	(454,441)
Remeasurement (i)	6,993	11,822	324,831	343,646
Net transfers in:				
- Stage 1	7,792	-	-	7,792
- Stage 2	-	(7,878)	-	(7,878)
- Stage 3	-	-	86	86
As at 31 December 2021	<u>116,573</u>	<u>85,870</u>	<u>2,296,561</u>	<u>2,499,004</u>
As at 1 January 2020	138,400	499,933	1,835,835	2,474,168
Originated or purchased	42,990	-	-	42,990
Repayment and transfer out	(78,151)	(237,291)	(37,867)	(353,309)
Remeasurement (i)	(34,157)	(44,668)	483,038	404,213
Net transfers in:				
- Stage 1	47,369	-	-	47,369
- Stage 2	-	(58,140)	-	(58,140)
- Stage 3	-	-	10,771	10,771
As at 31 December 2020	<u>116,451</u>	<u>159,834</u>	<u>2,291,777</u>	<u>2,568,062</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

18 Financial investments (Cont'd)

18.3 Financial investments at fair value through other comprehensive income (Cont'd)

(2) Analyzed by movements in carrying amount:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	77,400,061	1,165,685	811,150	79,376,896
Originated or purchased	43,314,308	-	-	43,314,308
Repayment and transfer out	(31,949,384)	(435,087)	(701,119)	(33,085,590)
Net transfers in:				
- Stage 1	208,621	-	-	208,621
- Stage 2	-	(276,050)	-	(276,050)
- Stage 3	-	-	67,429	67,429
As at 31 December 2021	<u>88,973,606</u>	<u>454,548</u>	<u>177,460</u>	<u>89,605,614</u>
As at 1 January 2020	75,162,734	2,151,711	473,291	77,787,736
Acquisition of a subsidiary (i)	195,850	-	-	195,850
Originated or purchased	46,671,785	-	-	46,671,785
Repayment and transfer out	(43,827,587)	(1,172,095)	(278,793)	(45,278,475)
Net transfers in:				
- Stage 1	(802,721)	-	-	(802,721)
- Stage 2	-	186,069	-	186,069
- Stage 3	-	-	616,652	616,652
As at 31 December 2020	<u>77,400,061</u>	<u>1,165,685</u>	<u>811,150</u>	<u>79,376,896</u>

(i) The financial investments acquired from the subsidiary in 2020 are mainly interbank certificates of deposits and classified in stage 1.

19 Subsidiaries

	As at 31 December	
	2021	2020
Investment cost	<u>3,735,487</u>	<u>3,735,487</u>

19 Subsidiaries (Cont'd)

Subsidiaries invested by the Bank are set out below:

Name of entity	Place of incorporation and operation	Category of Legal Entity	Date of incorporation	Authorized/ paid-in capital	Percentage of equity interest (%)/ Principal voting rights (%)		Principal activities
					31 December 2021	31 December 2020	
Huizhou Zhongkai Dongying County Bank Company Limited	Huizhou, Guangdong	Joint Stock Company Limited	13 December 2010	RMB300,000,000	51.00%	51.00%	Banking
Yunfu Xinxing Dongying County Bank Company Limited	Yunfu, Guangdong	Joint Stock Company Limited	23 December 2011	RMB100,000,000	51.00%	51.00%	Banking
Hezhou Babu Dongying County Bank Company Limited	Hezhou, Guangxi	Joint Stock Company Limited	8 August 2012	RMB100,000,000	51.00%	51.00%	Banking
Dongguan Dalang Dongying County Bank Company Limited (a)	Dongguan, Guangdong	Joint Stock Company Limited	25 June 2012	RMB100,000,000	35.00%	35.00%	Banking
Zhanjiang Rural Commercial Bank Co., Ltd.	Zhanjiang, Guangdong	Joint Stock Company Limited	26 October 2019	RMB1,655,000,000	49.41%	49.41%	Banking
Guangdong Chaoyang Rural Commercial Bank Co., Ltd.	Shantou, Guangdong	Joint Stock Company Limited	27 December 2020	RMB1,202,000,000	67.03%	67.03%	Banking

- (a) Dongguan Dalang Dongying County Bank Company Limited is a joint venture formed by the Bank and other 12 legal person shareholders, and the Bank holds 35% of its equity interests. The shareholders holding 16% of equity interest in Dongguan Dalang Dongying County Bank Company Limited agreed to vote in the direction of the Bank. Accordingly, the Bank effectively controls over Dongguan Dalang Dongying County Bank Company Limited through 51% of the voting rights.

As at 31 December 2021 and 2020, the amount of the non-controlling interests of the subsidiaries was not material to the Group.

20 Share of profits of associates

	Years ended 31 December	
	2021	2020
Opening balance	432,990	430,645
Share of net profits	33,834	24,284
Dividends received	(11,432)	(21,939)
Ending balance	<u>455,392</u>	<u>432,990</u>

The Group's investments in associates are ordinary shares of non-listed companies, and the results of these associates and their assets and liabilities are summarised below:

20 Share of profits of associates (Cont'd)

Investee	Place of registration	Assets	Net assets	Revenue for the current year	Net profit for the current year	Shareholding (%)	Share of net profits
As at 31 December 2021							
Yaan Rural Commercial Bank Co., Ltd. (a)	Yaan, Sichuan	25,614,966	2,076,382	1,097,164	134,942	15.00%	20,241
Guangdong Lechang Rural Commercial Bank Co., Ltd. (b)	Lechang, Guangdong	10,070,915	927,047	221,093	80,889	8.00%	6,471
Guangdong Xuwen Rural Commercial Bank Co., Ltd. (c)	Xuwen, Guangdong	10,810,159	791,149	325,446	89,689	7.94%	7,122
As at 31 December 2020							
Yaan Rural Commercial Bank Co., Ltd. (a)	Yaan, Sichuan	24,099,283	1,916,502	1,015,102	97,472	15.00%	14,621
Guangdong Lechang Rural Commercial Bank Co., Ltd. (b)	Lechang, Guangdong	9,416,615	902,626	211,515	58,357	8.00%	4,669
Guangdong Xuwen Rural Commercial Bank Co., Ltd. (c)	Xuwen, Guangdong	10,207,552	735,392	323,959	62,891	7.94%	4,994

- (a) One of the nine members of the board of directors of Yaan Rural Commercial Bank Co., Ltd (“Yaan RCB”) is a representative of the Group, therefore the Group is able to exercise significant influence over Yaan RCB and accounts for Yaan RCB as an associate.
- (b) In March 2019, the Group invested in Guangdong Lechang Rural Commercial Bank Co., Ltd (“Lechang RCB”) by cash amounted to RMB83.6 million. A representative of the Group was elected as one of the nine members of the board of directors of Lechang RCB, therefore the Group is able to exercise significant influence over Lechang RCB and accounts for Lechang RCB as an associate.
- (c) Prior to August 2019, the Group held 9.8% shares of Guangdong Xuwen Rural Commercial Bank Co., Ltd (“Xuwen RCB”) with no representative in the board of director. After the restructuring of Xuwen RCB in August 2019, the Group holds 7.94% shares of Xuwen RCB amounted to RMB59.6 million, a representative of the Group was elected as one of the eight members of the board of directors of Xuwen RCB. Subsequently, the Group is able to exercise significant influence over Xuwen RCB and started to account for Xuwen RCB as an associate.

21 Property and equipment

	Buildings	Decoration and renovation	Motor vehicles	Machinery and equipment	Electronic equipment	Other equipment	Construction in progress	Total
Cost								
As at 1 January 2021	2,496,588	43,697	39,657	107,576	787,509	131,054	711,186	4,317,267
Addition	10,350	1,499	3,266	4,145	70,470	12,540	236,728	338,998
Transfers in/(out)	52,931	-	312	1,999	9,894	6,331	(71,467)	-
Disposal	(10,256)	(251)	(2,469)	(5,293)	(34,763)	(4,830)	-	(57,862)
As at 31 December 2021	<u>2,549,613</u>	<u>44,945</u>	<u>40,766</u>	<u>108,427</u>	<u>833,110</u>	<u>145,095</u>	<u>876,447</u>	<u>4,598,403</u>
Accumulated depreciation								
As at 1 January 2021	(879,846)	(27,679)	(35,497)	(71,870)	(744,346)	(124,905)	-	(1,884,143)
Depreciation	(128,244)	(1,463)	(4,117)	(9,127)	(34,803)	(18,603)	-	(196,357)
Disposal	6,185	125	1,111	4,196	14,469	3,796	-	29,882
As at 31 December 2021	<u>(1,001,905)</u>	<u>(29,017)</u>	<u>(38,503)</u>	<u>(76,801)</u>	<u>(764,680)</u>	<u>(139,712)</u>	<u>-</u>	<u>(2,050,618)</u>
Provision for impairment losses								
As at 1 January 2021	(351)	-	-	-	-	-	-	(351)
Charge for the year	(506)	-	-	-	-	-	-	(506)
As at 31 December 2021	<u>(857)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(857)</u>
Net book value								
As at 31 December 2021	<u>1,546,851</u>	<u>15,928</u>	<u>2,263</u>	<u>31,626</u>	<u>68,430</u>	<u>5,383</u>	<u>876,447</u>	<u>2,546,928</u>

21 Property and equipment (Cont'd)

	Buildings	Decoration and renovation	Motor vehicles	Machinery and equipment	Electronic equipment	Other equipment	Construction in progress	Total
Cost								
As at 1 January 2020	2,013,847	43,625	39,884	102,380	756,500	117,954	281,616	3,355,806
Acquisition of a subsidiary	489,178	-	1,351	770	1,674	639	-	493,612
Addition	18,453	72	3,002	8,370	34,246	19,162	445,630	528,935
Transfers in/(out)	8,624	-	-	139	3,918	3,379	(16,060)	-
Disposal	(33,514)	-	(4,580)	(4,083)	(8,829)	(10,080)	-	(61,086)
As at 31 December 2020	<u>2,496,588</u>	<u>43,697</u>	<u>39,657</u>	<u>107,576</u>	<u>787,509</u>	<u>131,054</u>	<u>711,186</u>	<u>4,317,267</u>
Accumulated depreciation								
As at 1 January 2020	(826,908)	(26,159)	(34,265)	(64,272)	(721,216)	(105,348)	-	(1,778,168)
Depreciation	(75,405)	(1,520)	(3,097)	(9,097)	(26,523)	(26,530)	-	(142,172)
Disposal	22,467	-	1,865	1,499	3,393	6,973	-	36,197
As at 31 December 2020	<u>(879,846)</u>	<u>(27,679)</u>	<u>(35,497)</u>	<u>(71,870)</u>	<u>(744,346)</u>	<u>(124,905)</u>	<u>-</u>	<u>(1,884,143)</u>
Provision for impairment losses								
As at 1 January 2020	-	-	-	-	-	-	-	-
Charge for the year	(351)	-	-	-	-	-	-	(351)
As at 31 December 2020	<u>(351)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(351)</u>
Net book value								
As at 31 December 2020	<u>1,616,391</u>	<u>16,018</u>	<u>4,160</u>	<u>35,706</u>	<u>43,163</u>	<u>6,149</u>	<u>711,186</u>	<u>2,432,773</u>

As at 31 December 2021 and 2020, properties at original costs of RMB514 million and RMB616 million, with net values at RMB283 million and RMB349 million respectively, which the Group is still in the process of applying for the ownership certificates.

All properties of the Group and the Bank are located outside Hong Kong.

22 Right-of-use assets and lease liabilities

	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at 1 January 2021	635,724	4,152	458,108	1,097,984
Increase	123,588	8,642	300,913	433,143
Decrease	(86,119)	(3,608)	(1,113)	(90,840)
As at 31 December 2021	673,193	9,186	757,908	1,440,287
Accumulated depreciation				
As at 1 January 2021	(302,165)	(2,409)	(178,891)	(483,465)
Increase	(104,095)	(5,739)	(11,328)	(121,162)
Decrease	85,633	3,608	584	89,825
As at 31 December 2021	(320,627)	(4,540)	(189,635)	(514,802)
Provision for impairment losses				
As at 1 January 2021	-	-	(2,355)	(2,355)
Increase	-	-	-	-
Decrease	-	-	-	-
As at 31 December 2021	-	-	(2,355)	(2,355)
Net book value				
As at 31 December 2021	352,566	4,646	565,918	923,130
Lease liabilities				
Net book value				
As at 31 December 2021	453,889	5,190	-	459,079

22 Right-of-use assets and lease liabilities (Cont'd)

The Group	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at 1 January 2020	554,116	3,451	464,499	1,022,066
Acquisition of a subsidiary	50,338	–	–	50,338
Increase	50,822	3,388	7,153	61,363
Decrease	(19,552)	(2,687)	(13,544)	(35,783)
As at 31 December 2020	635,724	4,152	458,108	1,097,984
Accumulated depreciation				
As at 1 January 2020	(226,478)	(1,895)	(177,770)	(406,143)
Increase	(95,189)	(3,201)	(8,627)	(107,017)
Decrease	19,502	2,687	7,506	29,695
As at 31 December 2020	(302,165)	(2,409)	(178,891)	(483,465)
Provision for impairment losses				
As at 1 January 2020	–	–	(2,366)	(2,366)
Increase	–	–	–	–
Decrease	–	–	11	11
As at 31 December 2020	–	–	(2,355)	(2,355)
Net book value				
As at 31 December 2020	333,559	1,743	276,862	612,164
Lease liabilities				
Net book value				
As at 31 December 2020	449,123	1,737	–	450,860

23 Goodwill

	As at 31 December 2021	As at 31 December 2020
Zhanjiang RCB	181,381	181,381
Chaoyang RCB	339,140	339,140
Impairment allowance (i)	—	—
	<u>520,521</u>	<u>520,521</u>

(i) Impairment

For the business combination of Zhanjiang RCB and Chaoyang RCB, the recoverable amount of the asset group is based on the six-year budget and ten-year budget approved by the management respectively, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

Cash flow projections periods of the Group are determined based on the forecast of the local economic situation, the banking industry, and with reference to the Group's past operating experience. The Group estimated that Zhanjiang City and Shantou City, where the two banks are located, will experience a relatively high growth for a period more than 5 years until the economic growths of these two cities reach a stable level. In addition, the development of the banking industry is highly in line with the local economic development. Accordingly, the Group has incorporated the aforementioned factors into the cash projection by using six and ten years for Zhanjiang RCB and Chaoyang RCB respectively to reflect management's estimation of the future local economic forecasts and the related banking business growth.

	Zhanjiang RCB		Chaoyang RCB	
	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020
Stable period growth rate	3.00%	3.00%	3.00%	3.00%
Pre-tax discount rate	<u>19.26%</u>	<u>19.64%</u>	<u>15.40%</u>	<u>14.96%</u>

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after six years for Zhanjiang RCB and ten years for Chaoyang RCB respectively, which is consistent with the forecast data contained in the industry report. The management uses the cost of equity as the discount rate which can reflect the specific risks of the relevant asset group. The above assumptions are used to analyse the recoverable amounts of the asset group within the business division.

23 Goodwill (Cont'd)

The amounts of recoverable amount exceeding the carrying amount are:

	As at 31 December 2021	As at 31 December 2020
Zhanjiang RCB	28,249	15,341
Chaoyang RCB	<u>352,171</u>	<u>298,314</u>

The recoverable amounts of the asset group would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant:

	Zhanjiang RCB		Chaoyang RCB	
	As at 31	As at 31	As at 31	As at 31
	December 2021	December 2020	December 2021	December 2020
Stable period growth rate	-0.14%	-0.09%	-2.06%	-2.45%
Pre-tax discount rate	<u>0.11%</u>	<u>0.08%</u>	<u>1.18%</u>	<u>1.67%</u>

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified other instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

24 Deferred income tax

Deferred tax assets and liabilities can be offset only when the Group has the right to offset income tax assets and liabilities within the Group and the deferred tax assets and liabilities are associated with the same tax authority.

24 Deferred income tax (Cont'd)

(1) Main items of deferred tax assets and liabilities and their movements are as follows:

	Provision for ECL/asset impairment	Changes in fair value of financial investments	Employee benefits payable	Accelerated depreciation of property and equipment	Deductible tax losses	Fair value gain from business combination	Total
As at 1 January 2021	1,710,700	1,168,610	293,958	(15,733)	19,047	(122,399)	3,054,183
Recognised in profit or loss	479,139	(53,374)	55,741	(17,408)	9,034	15,943	489,075
Recognised in other comprehensive income	6,667	(215,402)	-	-	-	(3,402)	(212,137)
As at 31 December 2021	<u>2,196,506</u>	<u>899,834</u>	<u>349,699</u>	<u>(33,141)</u>	<u>28,081</u>	<u>(109,858)</u>	<u>3,331,121</u>
As at 1 January 2020	1,605,364	120,546	307,061	(9,323)	4,028	(9,561)	2,018,115
Recognised in profit or loss	(12,094)	670,879	(13,103)	(6,410)	15,019	271	654,562
Recognised in other comprehensive income	(24,158)	376,416	-	-	-	-	352,258
Acquisition of a subsidiary	141,588	769	-	-	-	(113,109)	29,248
As at 31 December 2020	<u>1,710,700</u>	<u>1,168,610</u>	<u>293,958</u>	<u>(15,733)</u>	<u>19,047</u>	<u>(122,399)</u>	<u>3,054,183</u>

(2) The deferred tax assets and liabilities before offsetting and the corresponding temporary differences are as follows:

	As at 31 December			
	2021		2020	
	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets:				
Provision for ECL/asset impairment	8,786,379	2,196,506	6,842,801	1,710,700
Changes in fair value of financial investments	3,599,337	899,834	4,674,440	1,168,610
Employee benefits payable	1,398,798	349,699	1,175,832	293,958
Deductible tax losses	112,324	28,081	76,188	19,047
Sub-total	<u>13,896,838</u>	<u>3,474,120</u>	<u>12,769,261</u>	<u>3,192,315</u>
Deferred tax liabilities:				
Fair value gain from business combination	(439,433)	(109,858)	(489,596)	(122,399)
Accelerated depreciation of property and equipment	(132,565)	(33,141)	(62,932)	(15,733)
Sub-total	<u>(571,998)</u>	<u>(142,999)</u>	<u>(552,528)</u>	<u>(138,132)</u>
Total	<u>13,324,840</u>	<u>3,331,121</u>	<u>12,216,733</u>	<u>3,054,183</u>

24 Deferred income tax (Cont'd)

(2) (Cont'd)

As at 31 December 2021 and 2020, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB1,424 million and RMB276 million respectively. The outcome of their actual utilisation may be different from management's estimation. These tax losses will expire from 2024 to 2026.

25 Other assets

	As at 31 December	
	2021	2020
Precious metals	500,160	302,222
Receivables from disposal of long-term assets	170,311	192,285
Long-term deferred expenses	157,847	151,239
Advances to suppliers	122,500	191,974
Foreclosed assets (a)	107,783	148,557
Clearing and settlement	98,778	384,179
Prepayments for purchase of software	96,024	70,061
Interest receivable (b)	73,302	92,866
Intangible assets – software (c)	63,562	101,401
Refundable deposits	55,927	13,385
Investment properties (d)	12,232	13,900
Others	46,751	35,626
Total	1,505,177	1,697,695

(a) Foreclosed assets

	As at 31 December	
	2021	2020
Property and equipment	265,210	272,481
Land use rights	119,596	163,767
Others	–	2,844
	384,806	439,092
Provision for impairment losses	(277,023)	(290,535)
Total	107,783	148,557

25 Other assets (Cont'd)

(b) Interest receivable

	As at 31 December	
	2021	2020
Loans and advances to customers	64,930	77,152
Financial investments	171,852	188,774
Provision for ECL	(163,480)	(173,060)
Total	73,302	92,866

(c) Intangible assets – software

	As at 31 December	
	2021	2020
Cost		
Opening balance	219,105	80,630
Acquisition of a subsidiary	–	124
Addition	15,950	138,645
Decrease	(50,278)	(294)
Ending balance	184,777	219,105
Accumulated amortisation		
Opening balance	(117,704)	(74,793)
Depreciation	(20,811)	(42,911)
Decrease	17,300	–
Ending balance	(121,215)	(117,704)
Net book value		
Ending balance	63,562	101,401

25 Other assets (Cont'd)

(d) Investment properties

	As at 31 December	
	2021	2020
Cost		
Opening balance	68,290	70,801
Disposal	(1,053)	(2,511)
Ending balance	67,237	68,290
Accumulated amortisation		
Opening balance	(54,390)	(55,231)
Depreciation	(1,668)	(1,670)
Disposal	1,053	2,511
Ending balance	(55,005)	(54,390)
Net book value		
Ending balance	12,232	13,900

26 Borrowings from central banks

	As at 31 December	
	2021	2020
Refinancing loans	8,048,704	6,224,370
Rediscount bills	360,470	271,215
Medium-term Lending Facility	2,800,000	24,000,000
Interest accrued	65,424	157,773
Total	11,274,598	30,653,358

- (a) As of 31 December 2021 and 2020, borrowings from central banks were refinancing loans, rediscount bills and Medium-term Lending Facility. The collateral provided by the Group and the Bank under borrowing agreements are disclosed in Note 38 to this report.

27 Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

	As at 31 December	
	2021	2020
Deposits from domestic banks	15,277,563	11,339,622
Deposits from other domestic financial institutions	9,816,936	5,861,294
Placements from domestic banks	1,100,000	700,000
Bonds sold under repurchase agreements (a)	12,730,079	14,974,791
Notes sold under repurchase agreements (a)	1,004,938	10,491,609
Sub-total	39,929,516	43,367,316
Accrued interest	275,249	114,901
Total	40,204,765	43,482,217

(a) The securities provided by the Group and the Bank as collateral under repurchase agreements are disclosed in Note 38 to this report.

28 Deposits from customers

	As at 31 December	
	2021	2020
Corporate demand deposits	96,481,862	86,787,163
Corporate time deposits	72,505,963	61,514,754
Individual demand deposits	108,524,863	102,798,196
Individual time deposits	132,886,394	118,593,507
Pledged deposits	3,307,850	2,761,014
Other deposits	254,081	135,157
Sub-total	413,961,013	372,589,791
Accrued interest	5,104,504	4,959,103
Total	419,065,517	377,548,894

29 Debt securities issued

	As at 31 December	
	2021	2020
Interbank certificates of deposit (a)	53,830,658	39,293,946
Tier 2 capital bond (b)	3,996,047	3,995,533
Green financial bonds (c)	2,969,399	2,842,847
Small and micro enterprises bond (d)	4,820,655	1,948,809
Sannong financial bond (e)	1,918,527	1,918,748
Sub-total	67,535,286	49,999,883
Accrued interest	322,316	249,354
Total	67,857,602	50,249,237

(a) Interbank certificates of deposit are as follows:

	As at 31 December	
	2021	2020
Reference rates of return	2.55%-3.22%	1.80%-3.35%
Original maturity	3 to 12 months	3 to 12 months

As at 31 December 2021 and 2020, the Group did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

- (b) The Bank issued a 10-year fixed-rate Tier 2 capital bond with a total amount of RMB4,000 million in June 2017 at a coupon rate of 5.00% per annum, and the bond pays interest annually. With the approval of the regulators, when in compliance with regulatory capital requirements or an equivalent or higher quality capital instrument is available to replace the bond, the Bank has the option to redeem part or all of the bond at par value on 12 June 2022. If the Bank does not exercise its right of redemption on 12 June 2022, the Bank will continue to pay interest at the coupon rate at 5.00% per annum. The bond has the write-down feature of Tier 2 capital instruments, which allows the Bank to write down the entire principal of the bond and not to pay any accumulated unpaid interests when a regulatory triggering event as stipulated in the offering documents occurs. Based on relevant provisions of CBIRC, the Tier 2 capital bond meets the criteria of a qualified Tier 2 capital instrument.
- (c) The Bank issued 3-year green financial bonds with a total amount of RMB2,000 million and a total amount of RMB1,000 million in January 2019 and December 2020 at a coupon rate of 3.50% and 3.75% per annum, and the bonds pay interest annually.

29 Debt securities issued (Cont'd)

- (d) The Bank issued a 3-year fixed rate bond for small and micro enterprises amounting to RMB2,000 million in March 2020 at a coupon rate of 2.94% per annum, and the bond pays interest annually. The Bank issued the first phase and second phase of 3-year fixed rate special financial bonds for small and micro enterprise amounting to RMB2,000 million and RMB1,000 million in February and March 2021, with at coupon rate of 3.58% and 3.52% per annum, respectively, and the bonds pay interest annually.
- (e) The Bank issued a 3-year fixed rate bond for Sannong amounting to RMB2,000 million in September 2020 at a coupon rate of 3.62% per annum, and the bond pays interest annually.

30 Taxes payable

	As at 31 December	
	2021	2020
Income tax	184,340	418,355
Land appreciation tax	116,787	119,238
VAT and others	282,262	285,142
Total	583,389	822,735

31 Other liabilities

	As at 31 December	
	2021	2020
Employee benefits payable (a)	2,127,454	2,044,732
Purchases payable	298,340	215,688
Clearing and settlement	287,176	917,632
Accrued expenses	179,425	237,488
Deferred fee and commission income from credit cards	97,999	131,681
Provisions (b)	94,689	64,713
Outstanding payments of foreclosed assets	88,976	89,293
Advances from disposal of long-term assets	47,450	94,169
Outstanding payments of rights to earnings on credit assets (c)	–	2,468,502
Others	60,300	31,839
Total	3,281,809	6,295,737

31 Other liabilities (Cont'd)

(a) Employee benefits payable

	As at 31 December	
	2021	2020
Wages and salaries, bonuses, allowances and subsidies	1,787,549	1,555,549
Labour union funds and employee education funds	157,102	162,412
Social security and benefits	128,638	181,804
Defined contribution plans payable		
– Enterprise annuity scheme	54,165	144,967
Total	2,127,454	2,044,732

(b) Provisions

	As at 31 December	
	2021	2020
Loan commitments and financial guarantee contracts (i)	94,689	64,713

(i) Analysis of movements in provisions of loan commitments and financial guarantee contracts measured using the ECL model.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	55,628	509	8,576	64,713
Originated or purchased	53,531	–	–	53,531
Repayment and transfer out	(31,979)	(12)	2,741	(29,250)
Write-off	–	–	(19,856)	(19,856)
Remeasurement (i)	4,828	2,287	18,436	25,551
Net transfers in:				
– Stage 1	1,346	–	–	1,346
– Stage 2	–	(1,109)	–	(1,109)
– Stage 3	–	–	(237)	(237)
As at 31 December 2021	<u>83,354</u>	<u>1,675</u>	<u>9,660</u>	<u>94,689</u>

31 Other liabilities (Cont'd)

(b) Provisions (Cont'd)

- (i) Analysis of movements in provisions of loan commitments and financial guarantee contracts measured using the ECL model. (Cont'd)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	53,292	971	4,987	59,250
Originated or purchased	36,641	–	–	36,641
Repayment and transfer out	(32,347)	739	356	(31,252)
Remeasurement (i)	(3,402)	312	3,164	74
Net transfers in:				
– Stage 1	1,444	–	–	1,444
– Stage 2	–	(1,513)	–	(1,513)
– Stage 3	–	–	69	69
As at 31 December 2020	<u>55,628</u>	<u>509</u>	<u>8,576</u>	<u>64,713</u>

- (i) Remeasurement are caused by parameter changes or transfers between stages.

- (c) The Group purchased certain rights to earnings on credit assets which underlying assets were originally purchased from Shantou City Chaoyang Rural Credit Cooperatives Union with a consideration of RMB3,069 million and recorded asset losses of RMB2,298 million (Note 12) according to the fair values of the underlying assets. The assets purchased after considering the aforementioned asset losses been recorded as financial assets at fair value through profit or loss on the consolidated statement of financial position. The Bank made the first payment of RMB600 million on 29 December 2020 and the remaining payment of RMB2,469 million was made in January 2021.

32 Share capital and capital reserve

	As at 31 December 2021		As at 31 December 2020	
	Number of shares (in thousand)	Nominal amount	Number of shares (in thousand)	Nominal amount
Opening balance	5,740,455	5,740,455	5,740,455	5,740,455
Issuance of shares	1,148,091	1,148,091	–	–
Ending balance	<u>6,888,546</u>	<u>6,888,546</u>	<u>5,740,455</u>	<u>5,740,455</u>

In September 2021, 1,148,091,000 ordinary shares with par value of RMB1 were issued at HK\$7.92 per share in an initial public offering on The Exchange of Hong Kong Limited.

The capital reserve represents the premium related to ordinary shares issued by the Bank in September 2021. Share premium was recorded in the capital reserve after deducting direct issue expenses, which consisted primarily of underwriting fees and professional fees.

33 Revaluation reserve

	Amount before tax	Effect of income tax	Net amount after tax
1 January 2021	261,738	(65,447)	196,291
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	(394,802)	98,701	(296,101)
– Amounts transferred to profit or loss	1,214,222	(303,556)	910,666
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	1,532,759	(383,190)	1,149,569
– Amounts transferred to profit or loss	(1,566,657)	391,664	(1,174,993)
Changes in fair value of equity instruments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	5,408	(1,352)	4,056
31 December 2021	<u>1,052,668</u>	<u>(263,180)</u>	<u>789,488</u>
1 January 2020	1,639,314	(409,840)	1,229,474
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	(1,055,215)	263,803	(791,411)
– Amounts transferred to profit or loss	(456,012)	114,003	(342,009)
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	480,474	(120,119)	360,355
– Amounts transferred to profit or loss	(349,380)	87,345	(262,035)
Changes in fair value of equity instruments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	2,557	(639)	1,917
31 December 2020	<u>261,738</u>	<u>(65,447)</u>	<u>196,291</u>

34 Surplus reserves and general reserve

	Surplus reserves (a)	General reserve (b)
1 January 2021	7,177,594	5,767,735
Appropriation to surplus reserves	559,800	–
Appropriation to general reserve	–	561,290
31 December 2021	<u>7,737,394</u>	<u>6,329,025</u>
1 January 2020	6,705,033	5,284,125
Appropriation to surplus reserves	472,561	–
Appropriation to general reserve	–	483,610
31 December 2020	<u>7,177,594</u>	<u>5,767,735</u>

(a) Surplus reserves

The surplus reserve at the end of the years ended 31 December 2021 and 2020 represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the PRC Company Law and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC Generally Accepted Accounting Principles (“GAAP”) until the balance reaches 50% of its registered capital as statutory surplus reserve. The Bank may also appropriate to the discretionary surplus reserve in accordance with the resolution of the shareholders.

The Bank appropriated RMB560 million and RMB473 million to the statutory surplus reserve, nil and nil to discretionary surplus reserve for the years ended 31 December 2021 and 2020, respectively.

(b) General reserve

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirement”) issued by the MOF, effective 1 July 2012, in addition to impairment allowances, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement.

35 Dividends

	Years ended 31 December	
	2021	2020
Dividends declared within the year	<u>2,353,585</u>	<u>1,492,520</u>

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after:

- Making up prior year's cumulative losses, if any;
- Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank.

A dividend of RMB0.260 per share (tax inclusive) in respect of the year ended 31 December 2019, with a total of RMB1,493 million was approved in the annual general meeting on 28 April 2020.

A dividend of RMB0.260 per share (tax inclusive) in respect of the year ended 31 December 2020, with a total of RMB1,493 million was approved in the annual general meeting on 23 April 2021.

In addition, pursuant to the resolutions of the shareholders general meeting on April 25, 2019, the Bank declared a special cash dividend of RMB1.5 per ten shares to its shareholders before the completion of the Global Offering and the listing. Following that, pursuant to the resolutions of the Board of Directors on September 6, 2021, the Bank confirmed to declare the special cash dividend to its shareholders whose name appear on the Bank's register of members on August 31, 2021. The total amount of such dividend is approximately RMB861.0 million, which was paid on September 22, 2021.

A dividend of RMB0.290 per share (tax inclusive) in respect of the year ended 31 December 2021, with a total of RMB1,998 million has been proposed by the Board of Directors on March 25, 2022 and is subject to approval by the shareholders in the annual general meeting.

36 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following amounts which have original maturities of less than three months and are used to meet short-term cash commitments:

36 Cash and cash equivalents (Cont'd)

	As at 31 December	
	2021	2020
Cash	2,959,804	2,432,295
Surplus reserve deposits with central banks	6,978,180	8,913,037
Deposits with banks and other financial institutions	8,964,291	11,479,923
Placements with banks and other financial institutions	1,240,000	891,494
Financial assets held under resale agreements	4,826,567	5,542,874
Total	24,968,842	29,259,623

37 Structured entities

(a) WMPs issued by the Group

Non – principal – guaranteed WMPs

Non – principal – guaranteed WMPs are not subject to any guarantee by the Group of the principal invested or interest to be paid.

As at 31 December 2021 and 2020, the unconsolidated non-principal-guaranteed WMPs issued and managed by the Group amounted to RMB40,271 million and RMB36,670 million, respectively. The WMPs invest in a range of primarily fixed rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these WMPs, the Group invests, on behalf of the investors in these WMPs, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. Certain non-principal-guaranteed WMPs issued, managed and actually controlled by the Bank are consolidated in the financial information of the Group. As at 31 December 2021 and 2020, the consolidated non-principal-guaranteed WMPs amounted to RMB5,754 million and RMB4,488 million, respectively.

Principal-guaranteed WMPs

Principal guaranteed WMPs sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. In accordance with the Group's accounting policies, the Group classifies the WMPs by the nature of the underlying assets or liabilities and records them in the corresponding financial statement line items. As at 31 December 2021 and 2020, the principal-guaranteed WMPs issued by the Group amounted to nil and RMB2,436 million, respectively.

For the years ended 31 December 2021 and 2020, the Group's interest in WMPs included fee and commission income of RMB360 million and RMB329 million, respectively. The Group had mainly debt securities trading and money market transactions with the above WMPs. The gains or losses on these transactions had no significant impact on the Group.

37 Structured entities (Cont'd)

(b) Structured entities set up in third-party organisations

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment returns, and records trading gains or losses and interest income therefrom. As at 31 December 2021 and 2020, the carrying amounts of the Group's interests in structured entities set up in third-party organisations by directly holding the investment were as follows:

	As at 31 December	
	2021	2020
Financial assets at fair value through profit or loss		
– Fund investments (Note 18.1)	17,690,169	20,496,877
– Rights to earnings on credit assets (Note 18.1)	4,811,520	3,434,843
– Others (Note 18.1)	–	27,304
Financial investments at amortised cost		
– Rights to earnings on credit assets (Note 18.2)	270,000	902,634
– Accrued interest	818	2,288
Financial investments at fair value through other comprehensive income		
– Rights to earnings on credit assets (Note 18.3)	28,966	446,175
– Direct financing instruments for WMPs (Note 18.3)	–	222,000
Total	22,801,473	25,532,121

As at 31 December 2021 and 2020, the maximum exposures of the above structured entities were their carrying amounts.

38 Contingent liabilities and commitments

(a) Financial guarantees and other credit commitments

	As at 31 December	
	2021	2020
Bank acceptances	2,897,495	1,580,695
Letters of credit	299,112	245,179
Guarantees	3,088,837	1,222,974
Unused limit of credit cards	10,562,244	9,655,154
Total	16,847,688	12,704,002

(b) Credit risk weighted amounts of financial guarantees and credit commitments

	As at 31 December	
	2021	2020
Financial guarantees and credit commitments	5,007,087	2,920,994

Credit risk weighted amounts refer to amounts which depend on the status of counterparties and the maturity characteristics, and are calculated in accordance with the CBIRC guidance. Risk weightings used for contingent liabilities and credit commitments range from 0% to 100%.

(c) Capital commitments

	As at 31 December	
	2021	2020
Contracted, but not provided for	705,405	494,839

(d) Legal proceedings

The litigation cases of the Group are not expected to have a significant impact on the Group.

38 Contingent liabilities and commitments *(Cont'd)*

(e) Collateral

Assets as collateral

The carrying amounts of the Group's assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2021	2020
Debt securities	15,205,550	15,800,728
Notes	1,004,938	10,491,609
Total	16,210,488	26,292,337

The liabilities of above collateral were presented in Note 27. All repurchase agreements are due within 12 months from their effective dates.

The carrying amounts of the Group's assets pledged as collateral under borrowings from central banks are as follows:

	As at 31 December	
	2021	2020
Debt securities	12,711,916	34,166,618
Loans	18,800	80,550
Notes	360,470	271,215
Total	13,091,186	34,518,383

The liabilities of above collateral were presented in Note 26.

Collateral accepted

The Group accepts bonds and notes as collateral in relevant securities borrowing and lending and repurchase agreement businesses. As at 31 December 2021 and 2020, the Group did not hold any collateral that can be resold or re-pledged.

38 Contingent liabilities and commitments (Cont'd)

(f) Redemption commitments of government bonds

The Group is entrusted by the MOF to underwrite certain government bonds. The investors of the government bonds have a right to redeem the bonds they hold at any time before their maturities, while the Group is obligated to meet redemption requests. The early redemption proceeds for these government bonds are the principal of the bonds plus unpaid interest accrued in accordance with the early redemption agreement.

As at 31 December 2021 and 2020, the balances of the principals of the Group's government bonds with early redemption obligations were RMB1,341 million and RMB1,038 million respectively. The original maturities of these government bonds range from 3 to 5 years. Management expects the Group's exposure to early redemptions of these bonds will not be material. The MOF will not provide funding for the early redemptions of these government bonds on a back-to-back basis but will settle the principal and interest upon maturity.

39 Related party transactions

(a) Related parties of the Group

(i) Major shareholder

Major shareholders is shown as follows:

Shareholding (%) Name of shareholder	As at 31 December	
	2021	2020
Guangdong Canvest Investment Co., Ltd.	4.34%	5.21%

(ii) Other related parties

Other related parties include directors, supervisors, senior management of the Bank and their close family members; entities controlled or jointly controlled by directors, supervisors, senior management of the Group and their close family members; and entities controlled or jointly controlled by the major shareholder of the Group as set out in Note 39(a)(i).

39 Related party transactions (Cont'd)

(b) Related party transactions and balances

(i) Transactions and balances with major shareholder

	As at 31 December	
	2021	2020
Loans and advances to customers	44,070	46,073
Deposits from customers	939	30,234

The balances with related parties are trade in nature.

	Years ended 31 December	
	2021	2020
Interest income	2,256	2,362
Interest expense	40	52
Fee and commission income	3	1

Range of rates	Years ended 31 December	
	2021	2020
Loans and advances to customers	5.22%	5.22%
Deposits from customers	0.35%	0.35%

39 Related party transactions (Cont'd)

(b) Related party transactions and balances (Cont'd)

(ii) Transactions and balances with subsidiaries

	As at 31 December	
	2021	2020
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	91	97
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	290,839	226,489
Debt securities issued	<u>656,684</u>	<u>386,000</u>

The balances with related parties are trade in nature.

	Years ended 31 December	
	2021	2020
Interest income	50	–
Interest expense	<u>2,017</u>	<u>12,311</u>

Range of rates	Years ended 31 December	
	2021	2020
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.35%-2.80%	0.28%-2.77%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	2.00%-3.80%	0.35%-3.08%
Debt securities issued	<u>2.94%-3.75%</u>	<u>2.94%-3.75%</u>

39 Related party transactions (Cont'd)

(b) Related party transactions and balances (Cont'd)

(iii) Transactions and balances with associates

	As at 31 December	
	2021	2020
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	1	11
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	<u>170,000</u>	<u>40,210</u>

The balances with related parties are trade in nature.

	Years ended 31 December	
	2021	2020
Interest expense	<u>5,854</u>	<u>11,296</u>

Range of rates	Years ended 31 December	
	2021	2020
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.28%-0.31%	0.28%-0.31%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	<u>1.60%-4.00%</u>	<u>2.25%-3.30%</u>

39 Related party transactions (Cont'd)

(b) Related party transactions and balances (Cont'd)

(iv) Transaction and balances with other related parties

As at each of the balance sheet dates, the Group had the following transactions and balances with other related parties:

	As at 31 December	
	2021	2020
Loans and advances to customers	18,609,400	18,378,103
Deposits from customers	6,193,842	5,039,639
Principal-guaranteed WMPs issued by the Bank	–	21,419
Non-principal-guaranteed WMPs issued by the Bank	2,075,274	1,966,226
Other liabilities – payable for civil engineering services	8,528	22,509
Right-of-use assets (1)	13,182	20,186
Lease liabilities (1)	14,461	21,677

The balances with related parties are trade in nature.

	Years ended 31 December	
	2021	2020
Interest income	1,019,521	902,715
Interest expense	42,838	38,368
Fee and commission income	1,023	836
Leasing expenses	582	624

Range of rates	Years ended 31 December	
	2021	2020
Loans and advances to customers	3.87% – 7.65%	3.28% – 8.65%
Deposits from customers	0.35% – 6.31%	0.35% – 5.50%
Management fee rate of principal-guaranteed WMPs issued by the Bank	–	0.20% – 1.50%
Management fee rate of non-principal-guaranteed WMPs issued by the Bank	0.20% – 4.90%	0.20% – 2.00%

39 Related party transactions (Cont'd)

(b) Related party transactions and balances (Cont'd)

(iv) Transaction and balances with other related parties (Cont'd)

- (1) During the years ended 31 December 2021 and 2020, the Bank incurred RMB7,043 thousand and RMB2,724 thousand for lease contracts with related parties respectively. The lease term ranges from 1 year to 10 years. These leases were accounted for under IFRS 16 and the respective right-of-use assets and lease liabilities were recognised in the consolidated statement of financial position.

(c) Remuneration of key management personnel

Key management personnel refer to those persons who have the authority and responsibility to plan, conduct and control the Bank's activities.

The remuneration of key management personnel in each of the reporting years is as follows:

	Years ended 31 December	
	2021	2020
Salaries	14,777	15,845
Subsidies and physical benefits	850	599
Discretionary bonuses	20,898	22,989
Pension plan contributions	1,028	904
Total	37,553	40,337

(d) Loans and advances balances with directors, supervisors and their certain controlled body corporates and connected entities

	As at 31 December	
	2021	2020
Directors	11,973	14,184
Supervisors	647	746
Certain controlled body corporates and connected entities of the directors	14,937,163	15,769,654
Certain controlled body corporates and connected entities of the supervisors	1,420,794	1,440,716
Total	16,370,577	17,225,300

39 Related party transactions (Cont'd)

(d) Loans and advances balances with directors, supervisors and their certain controlled body corporates and connected entities (Cont'd)

	As at 31 December 2021				Year ended 31 December 2021					
	Principal	Accrued interest	Provisions	Net book value	Aggregate amounts granted	Maximum outstanding	Aggregate amounts overdue	Term	Interest rate	Security
Director and Supervisor (i)	12,620	37	64	12,583	-	14,995	-	119-239 months	3.28%-5.39%	Real estate
Certain controlled body corporates and connected entities of the directors and supervisors (ii)	16,357,957	27,573	287,766	16,097,764	8,836,835	17,061,205	-	9-179 months	4.25%-7.15%	Real estate, land use right, charge right, shares, rent and machinery and equipment
Total	16,370,577	27,610	287,830	16,110,357	8,836,835	17,076,200	-			

(i) The directors and supervisors are Zhang Qingxiang and Lu Chaoping.

(ii) The directors and supervisors are Wang Junyang, Zhang Qingxiang, Chen Haitao, Lai Chun Tung, Ye Jinqun, Cai Guowei, Chen Weiliang, Wang Zhuji, Liang Jiepen, Zou Zhibiao and Lu Chaoping.

	As at 31 December 2020				Year ended 31 December 2020					
	Principal	Accrued interest	Provisions	Net book value	Aggregate amounts granted	Maximum outstanding	Aggregate amounts overdue	Term	Interest rate	Security
Director and Supervisor (i)	14,930	43	74	14,899	-	17,235	-	119-239 months	3.28%-5.39%	Real estate
Certain controlled body corporates and connected entities of the directors and supervisors (ii)	17,210,370	29,040	273,784	16,965,626	12,252,677	18,011,379	-	9-179 months	4.25%-7.60%	Real estate, land use right, charge right, shares, rent and machinery and equipment
Total	17,225,300	29,083	273,858	16,980,525	12,252,677	18,028,614	-			

(i) The directors and supervisors are Zhang Qingxiang and Lu Chaoping.

(ii) The directors and supervisors are Wang Junyang, Zhang Qingxiang, Chen Haitao, Lai Chun Tung, Ye Jinqun, Cai Guowei, Chen Weiliang, Wang Zhuji, Liang Jiepen, Zou Zhibiao and Lu Chaoping.

40 Segmental analysis

(a) Business segments

The Group manages its operations from both business and regional perspectives. From a business perspective, the Group mainly provides financial services through four business segments, which are listed below:

- Corporate banking: Corporate banking business segment covers financial products and services to corporate customers, governments and financial institutions. These products and services include corporate loans and advances, trade finance, deposits, and various other corporate intermediary businesses.
- Personal banking: Personal banking business segment covers financial products and services to individual customers. These products and services include personal loans and advances, deposits, bank cards, and various other individual intermediary businesses.
- Treasury: Treasury segment covers the Group's money market transactions, repurchase transactions, debt instrument investments, wealth management products and precious metals.
- Others: The others segment covers the remaining businesses of the Group that cannot be directly attributable to the above segments, and some assets, liabilities, income or expenses of the Head Office that have not been properly allocated.

From a regional perspective, all businesses of the Group are conducted in Mainland China.

40 Segmental analysis (Cont'd)

(a) Business segments (Cont'd)

	Year ended 31 December 2021				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	10,117,166	4,908,077	6,932,592	–	21,957,835
External interest expense	(3,792,162)	(3,787,840)	(3,844,498)	–	(11,424,500)
Inter-segment net interest income or expense	(324,190)	3,477,795	(3,153,605)	–	–
Net interest income	<u>6,000,814</u>	<u>4,598,032</u>	<u>(65,511)</u>	<u>–</u>	<u>10,533,335</u>
Net fee and commission income	<u>107,143</u>	<u>626,542</u>	<u>52,003</u>	<u>6,621</u>	<u>792,309</u>
Net trading gains or losses	120,285	29,542	907,979	–	1,057,806
Net gains or losses on financial investments	–	–	481,188	39,744	520,932
Other operating income	2	673	–	91,257	91,932
Operating income	<u>6,228,244</u>	<u>5,254,789</u>	<u>1,375,659</u>	<u>137,622</u>	<u>12,996,314</u>
Operating expense	(1,559,854)	(2,247,121)	(673,228)	(117,127)	(4,597,330)
– Depreciation and amortisation	(87,857)	(221,263)	(80,387)	(5,377)	(394,884)
Expected credit losses and asset losses	(1,682,829)	(360,441)	(399,897)	–	(2,443,167)
Share of profits of associates	–	–	–	33,834	33,834
Profit before tax	<u>2,985,561</u>	<u>2,647,227</u>	<u>302,534</u>	<u>54,329</u>	<u>5,989,651</u>
Capital expenditure	<u>323,858</u>	<u>815,629</u>	<u>296,323</u>	<u>19,819</u>	<u>1,455,629</u>

	As at 31 December 2021				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	165,551,396	126,838,944	294,949,376	2,690,255	590,029,971
Unallocated assets	–	–	–	–	3,331,122
Total assets	<u>165,551,396</u>	<u>126,838,944</u>	<u>294,949,376</u>	<u>2,690,255</u>	<u>593,361,093</u>
Segment liabilities	<u>174,102,294</u>	<u>248,067,924</u>	<u>120,300,907</u>	<u>907,855</u>	<u>543,378,980</u>

40 Segmental analysis (Cont'd)

(a) Business segments (Cont'd)

	Year ended 31 December 2020				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	8,269,216	4,523,129	6,725,259	–	19,517,604
External interest expense	(3,028,864)	(3,406,244)	(3,150,117)	–	(9,585,225)
Inter-segment net interest income or expense	40,650	3,358,728	(3,399,378)	–	–
Net interest income	<u>5,281,002</u>	<u>4,475,613</u>	<u>175,764</u>	<u>–</u>	<u>9,932,379</u>
Net fee and commission income	<u>138,405</u>	<u>764,934</u>	<u>22,026</u>	<u>15,014</u>	<u>940,379</u>
Net trading gains or losses	81,590	45,581	754,111	–	881,282
Net gains or losses on financial investments	–	–	433,925	(252,022)	181,903
Other operating income	2	132	–	110,970	111,104
Operating income	<u>5,500,999</u>	<u>5,286,260</u>	<u>1,385,826</u>	<u>(126,038)</u>	<u>12,047,047</u>
Operating expense	(1,263,546)	(2,215,836)	(392,853)	(52,651)	(3,924,886)
– Depreciation and amortisation	(135,515)	(172,732)	(40,310)	(2,569)	(351,126)
Expected credit losses and asset losses	(195,671)	(128,727)	(151,757)	(2,298,180)	(2,774,335)
Share of profits of associates	–	–	–	24,283	24,283
Profit before tax	<u>4,041,782</u>	<u>2,941,697</u>	<u>841,216</u>	<u>(2,452,586)</u>	<u>5,372,109</u>
Capital expenditure	<u>227,822</u>	<u>290,390</u>	<u>67,768</u>	<u>4,319</u>	<u>590,299</u>

	As at 31 December 2020				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	136,792,773	120,522,083	285,346,555	2,686,362	545,347,773
Unallocated assets	–	–	–	–	3,054,183
Total assets	<u>136,792,773</u>	<u>120,522,083</u>	<u>285,346,555</u>	<u>2,686,362</u>	<u>548,401,956</u>
Segment liabilities	<u>153,686,770</u>	<u>227,867,257</u>	<u>125,017,329</u>	<u>3,187,786</u>	<u>509,759,142</u>

41 Financial risk management

Overview

The Group's activities expose it to a variety of financial risks. The Group analyses and evaluates its risk exposures, and accepts and manages a certain level of such risks or combined risks. Financial risk management is critical to the financial industry in which the Group operates, and business operations inevitably involve financial risks. The Group's aim is to achieve an appropriate balance between risk and return to minimise potential adverse effects on the Group's financial statements.

The Group's risk management policies are designed to identify and analyse related risks, so as to set appropriate risk limits and control processes, and to monitor risks and their limits through reliable processes.

The Board of Directors of the Group is responsible for setting out the overall risk preference, reviewing and approving the Group's risk management objectives and strategies. Senior management is responsible for developing and implementing appropriate risk management policies and procedures based on risk management objectives and strategies. The Board of Supervisors is responsible for supervising and inspecting the risk management and internal control and spurring remedial measures where necessary.

The major financial risks faced by the Group are credit risk, market risk and liquidity risk, and market risk mainly comprises interest rate risk and foreign exchange risk.

41 Financial risk management (Cont'd)

41.1 Credit risk

41.1.1 Credit risk management

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable or unwilling to meet its obligations under a contract. The concentrations of credit risk will increase when counterparties are within similar industry segments or geographical regions. On-balance-sheet credit exposure includes loans and advances to customers, financial investments, deposits and placements with banks and certain other financial assets. There is also off-balance-sheet credit exposure, such as credit commitments, letters of credit, guarantees, and acceptance notes. Currently, the Group's principal business is primarily concentrated in Dongguan City of Guangdong Province in China, which indicates that the Group's credit portfolio is subject to concentration risk and is more susceptible to changes in regional economic conditions. As a result, the management monitors its credit risk prudently. The Risk Management Department at Head Office of the Group is responsible for the daily management of the Group's overall credit risk, and reports to the Group's senior management timely.

The Group adopts standardised management for the whole business procedure of credit business, including credit investigation and declaration, credit review and approval, loan issuance, post-lending monitoring and NPL management. It comprehensively improves the credit risk management level by strictly regulating credit operation procedures, strengthening end-to-end loan management from pre-lending investigation, rating and assigning credit limits, review and approval, loan drawdown review, to post-lending monitoring, improving the risk mitigation effect of collateral, accelerating the recovering and disposal of NPLs, and promoting the upgrading of credit management system.

For the year ended 31 December 2021 and 2020, COVID-19 affected the operations of business enterprises in certain industries in some cities and provinces, including Hubei, as well as the overall economic performance of the country, and as a result, had a negative impact on the asset quality of the Group's credit assets and investments. In response to the government's anti-epidemic policies, the Group delivered timely solutions to assist existing customers who had been affected by the outbreak, including relief measures, and at the same time, further enhanced its credit risk monitoring and early warning management system to step up credit risk monitoring. The Group and the Bank actively respond to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision.

41 Financial risk management *(Cont'd)*

41.1 Credit risk *(Cont'd)*

41.1.1 Credit risk management *(Cont'd)*

The Non-performing Assets Management Committee is responsible for supervising the recovery and disposal of NPLs. The Group manages its NPLs mainly by the following methods: (1) collection; (2) restructuring; (3) disposal of collateral or seeking recourse against guarantors; (4) litigation or arbitration; and (5) write-off according to regulatory requirements, to minimise its losses from credit risks. If the Group, after executing all necessary procedures, still considers that it is not reasonably possible to expect to recover the whole or part of a loan, it shall be written off. For the years ended 31 December 2021 and 2020, the loans and advances to customers written off by the Group amounted to RMB818 million and RMB787 million respectively.

In addition to risks arising from credit assets, the Group manages the credit risk of treasury operations by carefully selecting banks and other financial institutions with appropriate credit levels as counterparties, balancing credit risk and investment return, comprehensively referring to internal and external credit rating information, grading credit, and using a timely credit line management system to review and adjust the credit line. In addition, the Group provides off-balance-sheet commitments and guarantees for its customers. There is a possibility that the Group will make payments on behalf of customers due to their default, and bear the risk similar to loans. Therefore, the Group adopts risk control procedures and policies similar to the credit business to reduce the credit risk.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.2 Measurement of credit risk

(a) Loans

In accordance with the *Guidelines for the Classification of Loan Risks* issued by CBIRC, the Group establishes a management system regarding to the classification of loan risks, and implements five-level classification management. Loans are classified into five categories based on their risk levels, namely pass, special-mention, sub-standard, doubtful and loss, the latter three of which are regarded as impaired loans and advances. The primary factors considered in impairment assessment for loans include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, profitability, guarantees or collateral and legal responsibility of repayment.

The five categories into which the Group classifies its loans and advances to customers are set out below:

- Pass: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special-mention: Although there is no doubt on the borrower's ability to repay at this point in time, there exist potential factors that may adversely affect its ability to repay in the future.
- Sub-standard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay the principal and interest. There is possibility of some loss even when guarantee is executed and collateral is realized.
- Doubtful: Borrowers cannot repay principal and interest in full and there is possibility of substantial loss even when guarantee is executed and collateral is realized.
- Loss: After exhausting all possible means of recovery or necessary legal procedures, there is still no recovery of principal and interests, or the recovery is negligible.

41 Financial risk management *(Cont'd)*

41.1 Credit risk *(Cont'd)*

41.1.2 Measurement of credit risk *(Cont'd)*

(b) Bonds and other notes

The Group manages its credit risk exposures to bonds and other notes by setting restriction of investment size, issuer profile and rating and also post-investment management.

(c) Other financial investments

Other financial investments mainly comprise rights to earnings on credit assets, fund investments and direct financing instruments for WMPs. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies. Subsequent risk management is carried out on a regular basis.

(d) Interbank transactions

The Group reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions that having transactions with the Group.

(e) Financial guarantees and credit commitments

The primary purpose of financial guarantees and credit commitments is to ensure that customers can acquire the funds needed. Guarantees, acceptances of bills and letters of credit represent irrevocable commitments of the Group to fulfil the obligations of payment to a third party when the customers are unable to do so, with the same credit risk as loans. The amount of potential credit risk faced by the Group is equal to the total amount of its financial guarantees and credit commitments.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.3 Risk limit control and mitigation measures

The Group prudently manages and controls the concentration of credit risk, including single borrower, group, industry and region. The Group has established related mechanism to set up credit risk limit which is bearable for single borrower, and make an assessment on credit risk limit at least once a year.

The Group has established a series of policies and taken various measures to mitigate the credit risk. Obtaining collateral, deposits and corporate or individual guarantee is one of important means for the Group to control the credit risk.

The collateral policy established by the Group stipulates the type of specific collateral that is acceptable, mainly including:

- Housing;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as debt securities and stocks.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.3 Risk limit control and mitigation measures (Cont'd)

The fair value of collateral or pledge is generally determined with the help of specialised valuation agencies designated by the Group. In order to reduce the credit risk, the Group has defined the maximum loan-to-value ratio (the ratio of the loan amount to the fair value of collateral or pledge) for different collateral or pledge. The main types of collateral or pledge for loans and advances and the corresponding maximum loan-to-value ratio are as follows:

Collateral	Maximum loan-to-value ratio	Pledge	Maximum loan-to-value ratio
Real estate – residential	70%	Wealth Management Products	95%
Real estate – commercial	70%	Certificates of deposit	95%
Machineries	30%	Treasury bonds (certificate bonds and saving bonds)	95%
Means of transportation	40%	Bank acceptance bills	95%
Mining right	40%	Precious metal	80%
Forest rights	40%	Inventories	30%
Rural land use rights	50%	Shares of public company listed on main boards	60%
		Intellectual properties	20%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.4 Policies on provision for expected credit loss

The Group uses the “ECL model” to make provision for the impairment of financial assets measured at amortised cost and those designated at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

(1) Division of stages

For financial instruments included in the measurement of ECL, the Group applies “three-stage” impairment model to measure the loss allowance and recognise the ECL in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

- Stage 1: If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss stage is classified as Stage 1.
- Stage 2: If the credit risk has increased significantly since initial recognition but it is not considered that the credit has been impaired on the financial instrument, the loss stage is classified as Stage 2.
- Stage 3: If the credit has been impaired on the financial instrument, the loss stage is classified as Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of the ECL on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of the ECL on the financial instrument within the lifetime.

Various factors, such as five-level classification, number of overdue days and changes in credit ratings, will be taken into account when the credit risk increases significantly during assessment. These three stages are transferable. Financial instruments in the Stage 1 should be downgraded into Stage 2 in case of significant deterioration of credit risk.

41 Financial risk management *(Cont'd)*

41.1 Credit risk *(Cont'd)*

41.1.4 Policies on provision for expected credit loss *(Cont'd)*

(2) Judgement criteria for significant increase in credit risk

When one or more of the following quantitative and qualitative criteria or limit indicators are triggered, the Group considers that the credit risk of financial instrument has been significantly increased:

- The debtor breaches the contract and the principal or interest of the contract was overdue for more than 30 days.
- The significant negative influences appears in business, financing or economic position and indication for cash flow or liquidity problems for debtor.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for not more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the AA and higher than the CCC investment grade, comparing with its initial recognition date.
- There are significant changes in the economic, technical or legal environment in which the debtor is located in the current period or in the near future, and the Group will be affected adversely.

After the outbreak of COVID-19, in response to the government's anti-pandemic policies, the Group delivered relief measures to assist existing customers who had been affected. The Group prudently assesses the repayment ability of customers who apply for loan relief measures, and adopts measures, including deferred interest repayment, repayment plan adjustment, etc., for those meeting the policy standards, and at the same time, the Group also evaluates whether the credit risks of these customers have increased significantly.

In the years ended 31 December 2021 and 2020, the Group did not consider any financial instruments as having low credit risk, so that its credit risk did not need to be evaluated on the reporting date, comparing with its initial recognition date.

41 Financial risk management *(Cont'd)*

41.1 Credit risk *(Cont'd)*

41.1.4 Policies on provision for expected credit loss *(Cont'd)*

(3) Definition of default and incurred loss

A financial asset will be defined as defaulted if it meets one or more of the following quantitative and qualitative criteria or limit indicators. This criterion is consistent with the definition of incurred loss:

- The debtor breached the contract and the principal or interest of the contract was overdue for more than 90 days.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the CCC (inclusive) investment grade, or a default has occurred, comparing with its initial recognition date.
- The debtor is likely to go bankrupt or face other financial restructuring.
- The issuer of the financial instruments held by the Group is experiencing significant financial difficulty.
- The Group, for economic or legal reasons, grants a concession to the debtor who has financial difficulty.
- The active market for relevant financial assets disappears due to the financial difficulty of the borrower.

The above criteria apply to all financial instruments held by the Group; the definition of default is consistently applied to the ECL calculation process of the Group, including the model building of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

When a financial instrument does not qualify for default for six consecutive months, the Group no longer considers it as an asset in default (it has been reversed). The Group adopts an observation period of six months based on relevant analyses in which the Group has considered the possibility of a financial instrument re-entering the default status in various scenarios after it has been reversed.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.4 Policies on provision for expected credit loss (Cont'd)

- (4) Calculation of expected credit loss: description of parameters, assumptions, and estimation techniques

The Group calculates the provision for impairment losses of different types of assets as 12-month ECL or lifetime ECL based on whether there was significant increase in credit risk and whether credit impairment occurred for assets. ECL is the product of exposure at default (EAD), probability of default (PD) and loss given default (LGD) after term adjustment and discount. Relevant definitions are as follows:

PD refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime.

LGD refers to the percentage of the risk exposure loss in the event of default. LGD varies with the type of the counterparty in the transaction, and the accessibility of collateral and other credit supports.

EAD refers to the repayment due to the Group when default occurs in the next 12 months or during the rest of the lifetime. The Group's EAD is determined based on the expected repayment arrangements and different types of products will have different EAD. For loans repaid on an instalment basis or in a lump sum, the Group determines the EAD based on the repayment plan as agreed in the contract.

The Group determines the ECL by estimating the PD, LGD and EAD of an individual loan in each period. It multiplies these three values and adjusts their existence (in case of no early repayment or default). This approach can effectively calculate the ECL of each future period. The calculation results of all periods are then discounted to the reporting date and summed up. Discount rates used to calculate the ECL are the actual interest rate or the approximation thereof.

In 2021 and 2020, there was no significant change in the above estimation techniques or key assumptions.

41 Financial risk management *(Cont'd)*

41.1 Credit risk *(Cont'd)*

41.1.4 Policies on provision for expected credit loss *(Cont'd)*

(5) Forward-looking information in the expected credit loss model

Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and ECL of each business types, such as China real estate climate index, year-on-year (YOY) growth rate of registered urban unemployment rate, YOY growth rate of money supply (M2), business climate index, YOY accumulated consumer price index, YOY accumulated Balance of Trade, YOY accumulate Producer Price Index, YOY accumulate stock of social financing scale (RMB loans), and YOY accumulate Industrial Added Value.

The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and PD. The Group regularly conducts the forecast on three types of domestic macro scenarios and macro-economic indicators such as optimistic, basic and pessimistic for asset impairment model.

In 2020, the impact of COVID-19 on the macro economy and the banking industry was fully considered in the forward-looking information used by the Group to assess the measurement model of expected credit losses.

As at 31 December 2021, comparing with the weighted average scenario, the Group's credit impairment provision would decrease by RMB3,081 million (2020: RMB4,045 million) under the base scenario, increase by RMB3,364 million (2020: RMB5,360 million) under the pessimistic scenario and decrease by RMB4,562 million (2020: RMB7,794 million) under the optimistic scenario; the Bank's credit impairment provision would decrease by RMB2,408 million (2020: RMB3,761 million) under the base scenario, increase by RMB3,070 million (2020: RMB4,985 million) under the pessimistic scenario and decrease by RMB3,542 million (2020: RMB7,248 million) under the optimistic scenario.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.4 Policies on provision for expected credit loss (Cont'd)

(6) Grouping for ECL provision

The Group classified the exposures with similar characteristics when collectively assessing the ECL provision.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal property mortgages, credit cards)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage 3

Credit risk team monitors and reviews the grouping appropriateness regularly.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements

	As at 31 December 2021				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Balances with central banks	33,251,507	-	-	-	33,251,507
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15,772,779	-	-	-	15,772,779
Derivative financial assets	-	-	-	148,556	148,556
Loans and advances to customers	284,794,194	3,693,424	1,196,916	-	289,684,534
Financial investments					
- Financial assets at fair value through profit or loss	-	-	-	43,512,900	43,512,900
- Financial investments at amortised cost	108,209,412	235,865	-	-	108,445,277
- Financial investments at fair value through other comprehensive income	88,973,606	454,548	177,460	697,853	90,303,467
Other financial assets (a)	228,007	-	-	-	228,007
Sub-total	<u>531,229,505</u>	<u>4,383,837</u>	<u>1,374,376</u>	<u>44,359,309</u>	<u>581,347,027</u>
Off-balance sheet items					
Bank acceptances	2,896,674	-	821	-	2,897,495
Letters of credit	299,112	-	-	-	299,112
Guarantees	3,080,836	8,001	-	-	3,088,837
Unused limit of credit cards	10,506,279	5,173	50,792	-	10,562,244
Sub-total	<u>16,782,901</u>	<u>13,174</u>	<u>51,613</u>	<u>-</u>	<u>16,847,688</u>
Total	<u>548,012,406</u>	<u>4,397,011</u>	<u>1,425,989</u>	<u>44,359,309</u>	<u>598,194,715</u>

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements (Cont'd)

	As at 31 December 2020				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Balances with central banks	36,144,159	–	–	–	36,144,159
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	18,707,434	–	–	–	18,707,434
Derivative financial assets	–	–	–	12,879	12,879
Loans and advances to customers	252,027,424	2,027,049	587,289	–	254,641,762
Financial investments					
– Financial assets at fair value through profit or loss	–	–	–	36,101,567	36,101,567
– Financial investments at amortised cost	111,454,975	177,889	35,069	–	111,667,933
– Financial investments at fair value through other comprehensive income	77,400,061	1,165,685	811,150	566,705	79,943,601
Other financial assets (a)	490,430	–	–	–	490,430
Sub-total	<u>496,224,483</u>	<u>3,370,623</u>	<u>1,433,508</u>	<u>36,681,151</u>	<u>537,709,765</u>
Off-balance sheet items					
Bank acceptances	1,579,874	–	821	–	1,580,695
Letters of credit	245,179	–	–	–	245,179
Guarantees	1,222,974	–	–	–	1,222,974
Unused limit of credit cards	9,465,079	31,465	158,610	–	9,655,154
Sub-total	<u>12,513,106</u>	<u>31,465</u>	<u>159,431</u>	<u>–</u>	<u>12,704,002</u>
Total	<u>508,737,589</u>	<u>3,402,088</u>	<u>1,592,939</u>	<u>36,681,151</u>	<u>550,413,767</u>

(a) Other financial assets include interest receivable and other receivables.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.6 Loans and advances to customers

(a) Industry analysis

	As at 31 December 2021		As at 31 December 2020	
	Amount	%	Amount	%
Corporate loans and advances				
Wholesale and retail	30,156,442	10.10%	22,739,694	8.68%
Leasing and commercial services	29,694,458	9.94%	24,737,267	9.44%
Manufacturing	37,127,691	12.43%	27,023,030	10.32%
Construction	20,666,620	6.92%	20,821,976	7.95%
Real estate	14,443,950	4.84%	10,804,318	4.12%
Finance	5,573,905	1.87%	7,514,009	2.87%
Production and supply of power, gas and water	5,344,555	1.79%	5,322,414	2.03%
Transportation, logistics and postal services	3,169,693	1.06%	3,898,019	1.49%
Water, environment and public utilities management	2,715,332	0.91%	2,101,477	0.80%
Health, social security, and welfare	2,877,962	0.96%	2,539,030	0.97%
Education	3,143,951	1.05%	2,212,017	0.84%
Information transmission, software and IT services	1,420,075	0.48%	823,027	0.31%
Hotels and catering industries	2,302,218	0.77%	1,381,991	0.53%
Agriculture, forestry, animal husbandry and fishery	2,112,790	0.71%	1,291,506	0.49%
Residential services and other services	199,432	0.07%	378,874	0.14%
Culture, sports, and entertainment	134,320	0.04%	437,245	0.17%
Scientific research and technical services, and geological prospecting	256,390	0.09%	254,756	0.10%
Mining	13,300	0.00%	5,000	0.00%
Public management and social organisations	36,038	0.01%	13,655	0.01%
Sub-total	161,389,122	54.04%	134,299,305	51.26%

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.6 Loans and advances to customers (Cont'd)

(a) Industry analysis (Cont'd)

	As at 31 December 2021		As at 31 December 2020	
	Amount	%	Amount	%
Personal loans and advances				
Operational loans	29,307,228	9.81%	25,609,633	9.78%
Property mortgages	40,152,330	13.44%	37,665,358	14.38%
Advances of credit cards	6,663,366	2.23%	8,223,874	3.14%
Consumption loans	<u>32,743,977</u>	<u>10.95%</u>	<u>26,517,031</u>	<u>10.12%</u>
Sub-total	<u>108,866,901</u>	<u>36.43%</u>	<u>98,015,896</u>	<u>37.42%</u>
Rediscounted bills and other loans	27,858,949	9.33%	29,135,410	11.12%
Accrued interest	<u>598,457</u>	<u>0.20%</u>	<u>531,968</u>	<u>0.20%</u>
Total loans and advances to customers	<u>298,713,429</u>	<u>100.00%</u>	<u>261,982,579</u>	<u>100.00%</u>

(b) Type of collateral analysis

	As at 31 December	
	2021	2020
Collateralised loans	156,304,340	134,641,697
Pledged loans	41,152,064	39,107,865
Guaranteed loans	68,643,992	54,441,652
Unsecured loans	<u>32,014,576</u>	<u>33,259,397</u>
Sub-total	298,114,972	261,450,611
Accrued interest	<u>598,457</u>	<u>531,968</u>
Total	<u>298,713,429</u>	<u>261,982,579</u>

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.6 Loans and advances to customers (Cont'd)

(c) Concentration analysis by geographical regions

	As at 31 December 2021		As at 31 December 2020	
	Amount	%	Amount	%
Dongguan	236,567,843	79.20%	214,171,472	81.75%
Zhanjiang	16,258,307	5.44%	14,320,357	5.47%
Others	45,288,822	15.16%	32,958,782	12.58%
Accrued interest	598,457	0.20%	531,968	0.20%
Total	<u>298,713,429</u>	<u>100.00%</u>	<u>261,982,579</u>	<u>100.00%</u>

Concentration analysis of overdue loans and advances to customers by geographical regions

	As at 31 December 2021		As at 31 December 2020	
	Amount	%	Amount	%
Dongguan	1,632,508	52.39%	1,506,259	59.11%
Zhanjiang	323,432	10.38%	352,520	13.83%
Others	1,159,851	37.23%	689,457	27.06%
Total	<u>3,115,791</u>	<u>100.00%</u>	<u>2,548,236</u>	<u>100.00%</u>

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.6 Loans and advances to customers (Cont'd)

(d) Analysis by overdue days and impairment evaluation

(1) The maximum credit risk exposures of loans and advances are analysed by overdue days as follows:

Corporate loans and advances	As at 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Overdue days				
Not overdue	180,141,921	5,492,515	2,629,764	188,264,200
Between 0 and 30 days	19,479	2,969	52,832	75,280
Between 30 and 60 days	-	26,658	39,958	66,616
Between 60 and 90 days	-	5,821	77,252	83,073
More than 90 days/Default	-	-	1,111,843	1,111,843
Total	180,161,400	5,527,963	3,911,649	189,601,012
Provision for ECL	(1,595,214)	(2,435,541)	(2,982,406)	(7,013,161)
Net amount	<u>178,566,186</u>	<u>3,092,422</u>	<u>929,243</u>	<u>182,587,851</u>

Personal loans and advances	As at 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Overdue days				
Not overdue	106,897,345	379,238	56,855	107,333,438
Between 0 and 30 days	279,577	134,285	24,687	438,549
Between 30 and 60 days	-	291,061	40,377	331,438
Between 60 and 90 days	-	26,183	169,478	195,661
More than 90 days/Default	-	-	813,331	813,331
Total	107,176,922	830,767	1,104,728	109,112,417
Provision for ECL	(948,914)	(229,765)	(837,055)	(2,015,734)
Net amount	<u>106,228,008</u>	<u>601,002</u>	<u>267,673</u>	<u>107,096,683</u>

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.6 Loans and advances to customers (Cont'd)

(d) Analysis by overdue days and impairment evaluation (Cont'd)

- (1) The maximum credit risk exposures of loans and advances are analysed by overdue days as follows: (Cont'd)

Corporate loans and advances	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Overdue days				
Not overdue	158,443,070	3,187,454	924,868	162,555,392
Between 0 and 30 days	10,606	81,041	14,080	105,727
Between 30 and 60 days	-	26,659	7,000	33,659
Between 60 and 90 days	-	39,681	25,486	65,167
More than 90 days/Default	-	-	985,988	985,988
Total	158,453,676	3,334,835	1,957,422	163,745,933
Provision for ECL	(2,406,004)	(1,755,896)	(1,523,624)	(5,685,524)
Net amount	156,047,672	1,578,939	433,798	158,060,409

Personal loans and advances	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Overdue days				
Not overdue	96,549,633	274,358	54,960	96,878,951
Between 0 and 30 days	208,096	135,811	25,626	369,533
Between 30 and 60 days	-	164,662	77,622	242,284
Between 60 and 90 days	-	70,067	130,908	200,975
More than 90 days/Default	-	-	544,903	544,903
Total	96,757,729	644,898	834,019	98,236,646
Provision for ECL	(777,977)	(196,788)	(680,528)	(1,655,293)
Net amount	95,979,752	448,110	153,491	96,581,353

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.6 Loans and advances to customers (Cont'd)

(d) Analysis by overdue days and impairment evaluation (Cont'd)

- (2) Overdue loans and advances to customers are set out by collateral type and overdue days as follows:

	As at 31 December 2021				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Unsecured loans	462,388	208,488	110,014	7,912	788,802
Guaranteed loans	141,236	241,914	20,961	140,405	544,516
Collateralised loans	586,993	598,298	333,467	8,552	1,527,310
Pledged loans	–	224,100	6,393	24,670	255,163
Total	1,190,617	1,272,800	470,835	181,539	3,115,791

	As at 31 December 2020				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Unsecured loans	400,081	149,112	57,043	14,790	621,026
Guaranteed loans	149,125	54,754	188,803	73,084	465,766
Collateralised loans	468,139	422,977	242,535	8,787	1,142,438
Pledged loans	–	2,440	267,717	48,849	319,006
Total	1,017,345	629,283	756,098	145,510	2,548,236

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.6 Loans and advances to customers (Cont'd)

- (e) Loans and advances to customers impaired/at Stage 3

The total amounts of loans and advances to customers impaired/at Stage 3 are set out as follows:

	As at 31 December	
	2021	2020
Corporate loans and advances	3,911,649	1,957,422
Personal loans and advances	1,104,728	834,019
Total	5,016,377	2,791,441
Fair value of collateral		
– Corporate loans and advances	3,503,138	627,441
– Personal loans and advances	469,552	423,318
Total	3,972,690	1,050,759

The fair value of collateral is determined based on the latest available external valuation prices, adjusted for the current experiences of collateral realisation and market conditions.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.6 Loans and advances to customers (Cont'd)

(e) Loans and advances to customers impaired/at Stage 3 (Cont'd)

Concentration of loans and advances to customers impaired/at Stage 3 by geographical regions

	As at 31 December 2021		As at 31 December 2020	
	Amount	%	Amount	%
Dongguan	4,270,342	85.13%	2,423,087	86.80%
Zhanjiang	200,373	3.99%	189,805	6.80%
Others	545,662	10.88%	178,549	6.40%
Total	5,016,377	100.00%	2,791,441	100.00%

As at 31 December 2021 and 2020, the Group's loans and advances to customers impaired/at Stage 3 accounted for 0.93% and 1.07% of total loans respectively.

(f) Restructured loans and advances to customers

Restructured loans refer to loans with renegotiated contract terms due to the change of borrower, guarantee or repayment. The Group reaches agreements with these borrowers in consideration of their financial difficulties or other condition. As at 31 December 2021 and 2020, the Group's balances of restructured loans and advances to customers were RMB145 million and RMB126 million respectively.

41.1.7 Foreclosed assets

Foreclosed assets are disposed once they are sold and gains from the sale can be used to decrease the balance of liabilities. Usually the Group does not use recovered foreclosed assets for business activities. As at 31 December 2021 and 2020, foreclosed assets were listed under other assets.

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.8 Debt instrument investments

- (a) Debt instrument investments classified by borrower ratings

The credit risks of debt instrument investments are classified mainly based on their external credit ratings.

- (1) The exposures of financial investments at amortised cost are analysed as follows:

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	18,787,277	–	–	18,787,277
CCC+ to AA–	–	415,782	–	415,782
CCC and below	–	–	–	–
Default	–	–	–	–
Unrated (i)	89,653,135	–	–	89,653,135
Total	108,440,412	415,782	–	108,856,194
Provision for ECL	(231,000)	(179,917)	–	(410,917)
Net book value	<u>108,209,412</u>	<u>235,865</u>	<u>–</u>	<u>108,445,277</u>

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	19,770,183	–	–	19,770,183
CCC+ to AA–	–	181,001	–	181,001
CCC and below	–	–	53,038	53,038
Default	–	–	–	–
Unrated (i)	91,784,675	–	–	91,784,675
Total	111,554,858	181,001	53,038	111,788,897
Provision for ECL	(99,883)	(3,112)	(17,969)	(120,964)
Net book value	<u>111,454,975</u>	<u>177,889</u>	<u>35,069</u>	<u>111,667,933</u>

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.8 Debt instrument investments (Cont'd)

- (a) Debt instrument investments classified by borrower ratings (Cont'd)
- (2) The exposures of financial investments at fair value through other comprehensive income are analysed as follows:

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	12,500,575	–	–	12,500,575
CCC+ to AA–	–	454,548	–	454,548
CCC and below	–	–	36,749	36,749
Default	–	–	140,711	140,711
Unrated (i)	76,473,031	–	–	76,473,031
Net book value	<u>88,973,606</u>	<u>454,548</u>	<u>177,460</u>	<u>89,605,614</u>

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	19,869,750	–	–	19,869,750
CCC+ to AA–	–	1,165,685	–	1,165,685
CCC and below	–	–	240,630	240,630
Default	–	–	570,520	570,520
Unrated (i)	57,530,311	–	–	57,530,311
Net book value	<u>77,400,061</u>	<u>1,165,685</u>	<u>811,150</u>	<u>79,376,896</u>

41 Financial risk management (Cont'd)

41.1 Credit risk (Cont'd)

41.1.8 Debt instrument investments (Cont'd)

(b) Debt instrument investments classified by facility ratings

	As at 31 December 2021			Total
	Financial assets at fair value through profit or loss	Financial investments at amortised cost	Financial assets designated at fair value through other comprehensive income	
AA to AAA	7,425,596	68,940,213	22,586,592	98,952,401
CCC+ to AA-	12,250	235,867	23,708	271,825
CCC and below	7,294	-	20,582	27,876
Unrated (i)	36,067,760	39,269,197	66,974,732	142,311,689
Total	43,512,900	108,445,277	89,605,614	241,563,791

	As at 31 December 2020			Total
	Financial assets at fair value through profit or loss	Financial investments at amortised cost	Financial assets designated at fair value through other comprehensive income	
AA to AAA	4,885,711	42,210,336	19,065,483	66,161,530
CCC+ to AA-	198,379	241,587	94,379	534,345
CCC and below	1,444	-	92,268	93,712
Unrated (i)	31,016,033	69,216,010	60,124,766	160,356,809
Total	36,101,567	111,667,933	79,376,896	227,146,396

(i) The Group's unrated debt instrument investments comprise mainly of treasury bonds and local government bonds, financial bonds issued by policy banks, commercial bank bonds, non-bank financial institutions bonds and rights of earnings on credit assets.

41 Financial risk management (Cont'd)

41.2 Market risk

41.2.1 Overview

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through its lending, fixed-income and funding activities. Interest rate risk is inherent in many of the Group's businesses and this situation is common among banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities. As discussed further below, interest rate risk is actively managed.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group's commodity risk is mainly from the fluctuation in price of gold. The Group considers that the market risk from commodity prices of trade and investment portfolios is not significant.

41 Financial risk management *(Cont'd)*

41.2 Market risk *(Cont'd)*

41.2.2 Market analysis metrics

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates all financial instruments and commodities, both on-and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading. Any other financial instruments are included in the banking book.

The Group manages market risk in the trading book through methodologies that include, monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing. The Group has formulated policies, which are subject to review annually or as circumstances otherwise dictate, to manage market risk. Further, in this regard, the Group's market risk management is focused on movements in domestic and global financial markets, as well as the composition of the trading book and management's trading strategies, within approved limits. Moreover, the Group has implemented more specific policies for financial instruments, closely monitoring the exposure to specific issuers and counterparties, as well as the tenor of individual positions and trading strategies.

Market risk exposure limits are classified as either directive limits or indicative limits, based on the characteristics of the underlying instruments or transactions, including exposure limit monitoring, enforcement of stop-loss limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

41 Financial risk management *(Cont'd)*

41.2 Market risk *(Cont'd)*

41.2.3 Interest rate risk

The interest rate risk existing in the banking book broadly relates to the mismatch of the maturity or re-pricing dates of interest rate-sensitive financial assets and financial liabilities, as well as inconsistencies in the change of the benchmark interest rates on which most domestic interest rate-sensitive financial assets and financial liabilities are based.

The Group closely monitors changes in the macro-economic environment and the monetary policies of the PBOC, enabling it to timely and flexibly adjust its pricing strategy. The Group establishes comprehensive interest rate risk management policies and protocols and has improved the consistency of interest rate risk measurement, monitoring, analysis and management of interest rate risk across the Group.

The Group regularly measures and analyzes the Group's interest rate risk by conducting gap analysis, sensitivity analysis, scenario analysis and stress testing to manage interest rate risk within established limits.

41 Financial risk management (Cont'd)

41.2 Market risk (Cont'd)

41.2.3 Interest rate risk (Cont'd)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

As at 31 December 2021	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	33,251,507	-	-	-	2,959,804	36,211,311
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15,383,779	389,000	-	-	-	15,772,779
Derivative financial assets	-	-	-	-	148,556	148,556
Loans and advances to customers	178,290,647	62,701,043	22,207,743	26,485,101	-	289,684,534
Financial investments						
- Financial assets at fair value through profit or loss	4,685,119	4,917,609	5,125,790	11,094,213	17,690,169	43,512,900
- Financial investments at amortised cost	6,345,971	28,051,654	49,771,359	24,276,293	-	108,445,277
- Financial investments at fair value through other comprehensive income	2,653,164	13,335,542	39,021,936	34,594,972	697,853	90,303,467
Other financial assets	-	-	-	-	228,007	228,007
Total financial assets	240,610,187	109,394,848	116,126,828	96,450,579	21,724,389	584,306,831
Liabilities						
Borrowings from central banks	1,751,766	9,522,832	-	-	-	11,274,598
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	27,060,275	13,144,490	-	-	-	40,204,765
Financial liabilities at fair value through profit or loss	-	-	-	-	492,648	492,648
Derivative financial liabilities	-	-	-	-	159,573	159,573
Deposits from customers	244,683,672	68,180,174	105,895,087	-	306,584	419,065,517
Debt securities issued	22,656,668	33,503,334	7,831,553	3,866,047	-	67,857,602
Lease liabilities	30,964	86,230	284,092	57,793	-	459,079
Other financial liabilities	-	-	-	-	585,516	585,516
Total financial liabilities	296,183,345	124,437,060	114,010,732	3,923,840	1,544,321	540,099,298
Interest rate gap	(55,573,158)	(15,042,212)	2,116,096	92,526,739	20,180,068	44,207,533

41 Financial risk management (Cont'd)

41.2 Market risk (Cont'd)

41.2.3 Interest rate risk (Cont'd)

As at 31 December 2020	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	36,144,159	-	-	-	2,432,295	38,576,454
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	18,373,135	330,000	4,299	-	-	18,707,434
Derivative financial assets	-	-	-	-	12,879	12,879
Loans and advances to customers	165,810,611	46,734,327	21,507,912	20,588,912	-	254,641,762
Financial investments						
- Financial assets at fair value through profit or loss	3,845,320	3,924,328	5,949,379	1,885,663	20,496,877	36,101,567
- Financial investments at amortised cost	12,573,744	24,030,574	60,570,508	14,493,107	-	111,667,933
- Financial investments at fair value through other comprehensive income	4,656,457	17,750,254	33,700,372	23,269,813	566,705	79,943,601
Other financial assets	-	-	-	-	490,430	490,430
Total financial assets	<u>241,403,426</u>	<u>92,769,483</u>	<u>121,732,470</u>	<u>60,237,495</u>	<u>23,999,186</u>	<u>540,142,060</u>
Liabilities						
Borrowings from central banks	2,466,730	28,186,628	-	-	-	30,653,358
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	36,098,532	7,383,685	-	-	-	43,482,217
Financial liabilities at fair value through profit or loss	-	-	-	-	238,841	238,841
Derivative financial liabilities	-	-	-	-	17,263	17,263
Deposits from customers	235,986,754	65,756,425	75,631,649	-	174,066	377,548,894
Debt securities issued	17,893,380	21,400,566	6,848,525	4,106,766	-	50,249,237
Lease liabilities	31,842	85,105	248,586	85,327	-	450,860
Other financial liabilities	-	13,700	1,227,401	1,227,401	1,116,058	3,584,560
Total financial liabilities	<u>292,477,238</u>	<u>122,826,109</u>	<u>83,956,161</u>	<u>5,419,494</u>	<u>1,546,228</u>	<u>506,225,230</u>
Interest rate gap	<u>(51,073,812)</u>	<u>(30,056,626)</u>	<u>37,776,309</u>	<u>54,818,001</u>	<u>22,452,958</u>	<u>33,916,830</u>

41 Financial risk management (Cont'd)

41.2 Market risk (Cont'd)

41.2.3 Interest rate risk (Cont'd)

The following table illustrates the potential impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net interest income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallelled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial assets at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	Expected changes of net profit As at 31 December	
	2021	2020
+ 100 basis point parallel move in all yield curves	(407,005)	(419,706)
- 100 basis point parallel move in all yield curves	407,005	419,706

	Expected changes of other comprehensive income As at 31 December	
	2021	2020
+ 100 basis point parallel move in all yield curves	(2,367,159)	(1,927,592)
- 100 basis point parallel move in all yield curves	2,544,250	2,069,720

41 Financial risk management *(Cont'd)*

41.2 Market risk *(Cont'd)*

41.2.3 Interest rate risk *(Cont'd)*

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end.

41.2.4 Foreign exchange risk

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

41 Financial risk management (Cont'd)

41.2 Market risk (Cont'd)

41.2.4 Foreign exchange risk (Cont'd)

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

As at 31 December 2021	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)
Assets			
Cash and balances with central banks	109,169	149,015	–
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	309,206	361,727	2,602
Loans and advances to customers	341,371	56,347	2,920
Total financial assets	<u>759,746</u>	<u>567,089</u>	<u>5,522</u>
Liabilities			
Deposits from customers	753,511	571,198	10,382
Net on-balance sheet position	<u>6,235</u>	<u>(4,109)</u>	<u>(4,860)</u>
Net notional amount of derivatives	<u>105,477</u>	<u>–</u>	<u>–</u>
Financial guarantees and credit commitments	<u>291,835</u>	<u>–</u>	<u>3,359</u>

41 Financial risk management (Cont'd)

41.2 Market risk (Cont'd)

41.2.4 Foreign exchange risk (Cont'd)

As at 31 December 2020	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)
Assets			
Cash and balances with central banks	58,584	104,040	–
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	297,617	399,822	2,101
Loans and advances to customers	275,281	95,113	–
Total financial assets	631,482	598,975	2,101
Liabilities			
Deposits from customers	598,305	614,464	5,764
Net on-balance sheet position	33,177	(15,489)	(3,663)
Net notional amount of derivatives	29,113	–	–
Financial guarantees and credit commitments	215,937	–	2,246

41 Financial risk management (Cont'd)

41.2 Market risk (Cont'd)

41.2.4 Foreign exchange risk (Cont'd)

The table below indicates the potential effect on net profit arising from a 10% appreciation or depreciation of RMB spot and forward foreign exchange rates against USD on the net positions of foreign currency monetary assets and liabilities in the consolidated statement of financial position.

	As at 31 December	
	2021	2020
USD/RMB10% appreciation	8,378	4,672
USD/RMB10% depreciation	(8,378)	(4,672)

The effect on net profit and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

41.3 Liquidity risk

41.3.1 Overview

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department and Financial Market Department manage its liquidity risk via:

- Optimising the asset and liability structures;
- Making projections of future cash flows, and evaluating the appropriate liquid asset position;
- Maintaining reasonable liquidity reserve;
- Conducting stress testing regularly.

41 Financial risk management (Cont'd)

41.3 Liquidity risk (Cont'd)

41.3.2 Analysis of the undiscounted contractual cash flows

The tables below set forth undiscounted contractual cash flows of the Group's financial assets and liabilities by remaining contractual maturities at the end of the reporting period:

As at 31 December 2021	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets								
Cash and balances with central banks	9,953,954	-	-	-	-	-	26,271,509	36,225,463
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	8,394,413	5,365,960	1,638,237	389,854	-	-	-	15,788,464
Loans and advances to customers	8,825,710	7,380,210	22,274,496	81,169,654	87,150,226	184,557,421	-	391,357,717
Financial investments								
- Financial assets at fair value through profit or loss	7,294	1,023,291	3,759,512	5,460,920	6,843,236	12,302,370	17,690,169	47,086,792
- Financial investments at amortised cost	-	3,548,508	3,357,689	30,510,512	57,948,086	28,574,116	-	123,938,911
- Financial investments at fair value through other comprehensive income	134,923	795,810	2,009,709	15,680,010	46,006,816	38,517,555	697,853	103,842,676
Other financial assets	172,080	-	-	-	-	-	55,927	228,007
Total financial assets	27,488,374	18,113,779	33,039,643	133,210,950	197,948,364	263,951,462	44,715,458	718,468,030
Non-derivative financial liabilities								
Borrowings from central banks	-	1,077,536	730,163	9,599,032	-	-	-	11,406,731
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	8,051,031	11,481,230	7,666,661	13,217,040	-	-	-	40,415,962
Financial liabilities at fair value through profit or loss	-	-	20,497	450,712	-	-	21,970	493,179
Deposits from customers	211,375,273	14,367,288	21,796,514	68,908,833	106,984,367	-	-	423,432,275
Debt securities issued	-	5,887,901	17,265,600	34,236,521	9,009,267	4,070,000	-	70,469,289
Lease liabilities	-	11,137	21,261	88,491	294,874	106,048	-	521,811
Other financial liabilities	287,177	24,862	49,723	223,755	-	-	-	585,517
Total financial liabilities	219,713,481	32,849,954	47,550,419	126,724,384	116,288,508	4,176,048	21,970	547,324,764
Net position	(192,225,107)	(14,736,175)	(14,510,776)	6,486,566	81,659,856	259,775,414	44,693,488	171,143,266
Derivative cash flows								
Derivative financial instruments settled on a net basis	-	(422)	253	10,607	(22,287)	-	-	(11,849)
Derivative financial instruments settled on a gross basis								
- Total inflow	-	224,117	134,903	209,970	-	-	-	568,990
- Total outflow	-	(119,256)	(134,626)	(209,631)	-	-	-	(463,513)

41 Financial risk management (Cont'd)

41.3 Liquidity risk (Cont'd)

41.3.2 Analysis of the undiscounted contractual cash flows (Cont'd)

As at 31 December 2020	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets								
Cash and balances with central banks	11,359,229	-	-	-	-	-	27,232,163	38,591,392
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	11,008,374	6,717,895	656,333	335,395	17,743	-	-	18,735,740
Loans and advances to customers	7,144,433	7,992,575	23,572,639	64,630,903	82,170,486	153,825,876	-	339,336,912
Financial investments								
- Financial assets at fair value through profit or loss	1,765	1,855,334	2,005,771	4,186,882	6,619,712	2,144,426	20,496,877	37,310,767
- Financial investments at amortised cost	-	4,631,556	8,734,197	26,263,235	67,193,365	16,932,228	-	123,754,581
- Financial investments at fair value through other comprehensive income	541,439	1,537,016	2,154,327	18,475,971	42,316,681	29,215,891	566,705	94,808,030
Other financial assets	477,045	3,370	2,605	6,904	-	-	13,385	503,309
Total financial assets	30,532,285	22,737,746	37,125,872	113,899,290	198,317,987	202,118,421	48,309,130	653,040,731
Non-derivative financial liabilities								
Borrowings from central banks	-	74,892	2,397,634	28,191,312	-	-	-	30,663,838
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,086,500	28,672,847	6,438,478	7,420,940	-	-	-	43,618,765
Financial liabilities at fair value through profit or loss	-	-	20,552	209,373	-	-	11,861	241,786
Deposits from customers	193,782,346	19,308,610	25,674,604	66,879,104	77,138,555	-	-	382,783,219
Debt securities issued	-	4,990,000	13,080,000	22,056,300	8,165,825	4,506,766	-	52,798,891
Lease liabilities	-	11,615	22,752	92,531	283,840	102,241	-	512,979
Other financial liabilities	917,632	17,974	35,949	175,466	1,227,401	1,227,401	-	3,601,823
Total financial liabilities	195,786,478	53,075,938	47,669,969	125,025,026	86,815,621	5,836,408	11,861	514,221,301
Net position	(165,254,193)	(30,338,192)	(10,544,097)	(11,125,736)	111,502,366	196,282,013	48,297,269	138,819,430
Derivative cash flows								
Derivative financial instruments settled on a net basis	-	145	(1,055)	(1,048)	(3,333)	-	-	(5,291)
Derivative financial instruments settled on a gross basis								
- Total inflow	-	68,511	80,909	285,791	-	-	-	435,211
- Total outflow	-	(63,928)	(75,496)	(266,673)	-	-	-	(406,098)

41 Financial risk management (Cont'd)

41.3 Liquidity risk (Cont'd)

41.3.3 Analysis of the remaining contractual maturity of financial assets and financial liabilities

The table below summarises the maturity analysis of the carrying amounts of the Group's financial assets and liabilities by remaining contractual maturities at the end of the reporting period:

As at 31 December 2021	On demand	Within 1 month	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Financial assets								
Cash and balances with central banks	9,951,389	-	-	-	-	-	26,259,922	36,211,311
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	8,394,412	5,357,367	1,632,000	389,000	-	-	-	15,772,779
Derivative financial assets	-	13,233	5,262	119,761	10,300	-	-	148,556
Loans and advances to customers	2,708,817	6,833,277	21,616,872	78,043,537	79,278,665	101,203,366	-	289,684,534
Financial investments								
- Financial assets at fair value through profit or loss	7,294	934,221	3,743,604	4,917,609	5,125,790	11,094,213	17,690,169	43,512,900
- Financial investments at amortised cost	-	3,322,822	2,815,247	27,460,378	50,570,538	24,276,292	-	108,445,277
- Financial investments at fair value through other comprehensive income	134,923	567,271	1,835,969	13,335,542	39,136,937	34,594,972	697,853	90,303,467
Other financial assets	172,080	-	-	-	-	-	55,927	228,007
Total financial assets	21,368,915	17,028,191	31,648,954	124,265,827	174,122,230	171,168,843	44,703,871	584,306,831
Financial liabilities								
Borrowings from central banks	-	1,057,100	694,666	9,522,832	-	-	-	11,274,598
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	8,051,030	11,427,287	7,581,958	13,144,490	-	-	-	40,204,765
Financial liabilities at fair value through profit or loss	-	-	20,188	450,490	-	-	21,970	492,648
Derivative financial liabilities	-	13,366	4,772	108,849	32,586	-	-	159,573
Deposits from customers	209,035,804	14,198,154	21,547,854	68,142,487	106,141,218	-	-	419,065,517
Debt securities issued	-	5,770,245	16,886,423	33,503,334	7,831,553	3,866,047	-	67,857,602
Lease liabilities	-	10,205	20,759	86,230	284,092	57,793	-	459,079
Other financial liabilities	287,176	24,862	49,723	223,755	-	-	-	585,516
Total financial liabilities	217,374,010	32,501,219	46,806,343	125,182,467	114,289,449	3,923,840	21,970	540,099,298
Net position	(196,005,095)	(15,473,028)	(15,157,389)	(916,640)	59,832,781	167,245,003	44,681,901	44,207,533

41 Financial risk management (Cont'd)

41.3 Liquidity risk (Cont'd)

41.3.3 Analysis of the remaining contractual maturity of financial assets and financial liabilities (Cont'd)

As at 31 December 2020	On demand	Within 1 month	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Financial assets								
Cash and balances with central banks	11,356,302	-	-	-	-	-	27,220,152	38,576,454
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	11,008,374	6,711,348	653,413	330,000	4,299	-	-	18,707,434
Derivative financial assets	-	3,370	2,605	6,904	-	-	-	12,879
Loans and advances to customers	2,222,721	7,727,970	23,471,247	63,124,912	73,182,539	84,912,373	-	254,641,762
Financial investments								
- Financial assets at fair value through profit or loss	1,444	1,762,028	1,955,158	3,903,333	6,098,508	1,884,219	20,496,877	36,101,567
- Financial investments at amortised cost	-	4,311,171	8,262,573	23,461,043	61,093,141	14,540,005	-	111,667,933
- Financial investments at fair value through other comprehensive income	541,439	1,160,273	1,808,776	16,263,518	36,048,754	23,554,136	566,705	79,943,601
Other financial assets	477,045	-	-	-	-	-	13,385	490,430
Total financial assets	25,607,325	21,676,160	36,153,772	107,089,710	176,427,241	124,890,733	48,297,119	540,142,060
Financial liabilities								
Borrowings from central banks	-	72,855	2,393,875	28,186,628	-	-	-	30,653,358
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,086,500	28,614,284	6,397,748	7,383,685	-	-	-	43,482,217
Financial liabilities at fair value through profit or loss	-	-	20,280	206,700	-	-	11,861	238,841
Derivative financial liabilities	-	3,009	3,492	7,429	3,333	-	-	17,263
Deposits from customers	191,635,732	19,059,426	25,284,501	65,724,817	75,844,418	-	-	377,548,894
Debt securities issued	-	4,982,463	13,010,917	21,300,566	6,848,525	4,106,766	-	50,249,237
Lease liabilities	-	10,768	21,074	85,105	248,586	85,327	-	450,860
Other financial liabilities	917,632	14,965	32,457	168,037	1,224,068	1,227,401	-	3,584,560
Total financial liabilities	193,639,864	52,757,770	47,164,344	123,062,967	84,168,930	5,419,494	11,861	506,225,230
Net position	(168,032,539)	(31,081,610)	(11,010,572)	(15,973,257)	92,258,311	119,471,239	48,285,258	33,916,830

41 Financial risk management (Cont'd)

41.3 Liquidity risk (Cont'd)

41.3.4 Off-balance sheet items

The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

As at 31 December 2021	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	2,897,495	–	–	2,897,495
Letters of credit	299,112	–	–	299,112
Guarantees	2,529,030	535,458	24,349	3,088,837
Unused limit of credit cards	10,562,244	–	–	10,562,244
Total	16,287,881	535,458	24,349	16,847,688

As at 31 December 2020	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	1,580,695	–	–	1,580,695
Letters of credit	245,179	–	–	245,179
Guarantees	868,121	330,864	23,989	1,222,974
Unused limit of credit cards	9,655,154	–	–	9,655,154
Total	12,349,149	330,864	23,989	12,704,002

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities

(a) *Fair value hierarchy*

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(b) *Financial instruments not measured at fair value*

The tables below summarise the carrying amounts and fair values of financial assets and liabilities not measured at fair value. Financial assets and liabilities with similar carrying amounts and fair values, such as balances with central banks, financial assets held under resale agreements and deposits and placements with banks and other financial institutions, loans and advances to customers, borrowings from central banks, due to customers, financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions, and certificates of interbank deposit, are not included.

	As at 31 December 2021				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
Financial assets					
Financial investments at amortised cost	108,445,277	109,542,123	–	109,079,280	462,843
Financial liabilities					
Bonds issued	67,857,602	68,039,927	–	68,039,927	–

	As at 31 December 2020				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
Financial assets					
Financial investments at amortised cost	113,205,711	111,181,020	–	110,131,813	1,049,207
Financial liabilities					
Bonds issued	50,249,237	50,251,395	–	50,251,395	–

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(c) Financial instruments measured at fair value

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	–	148,556	–	148,556
Loans and advances to customers at fair value through other comprehensive income	–	–	27,858,949	27,858,949
Financial assets at fair value through profit or loss				
– Debt securities	–	21,011,211	–	21,011,211
– Fund investments	17,690,169	–	–	17,690,169
– Rights to earnings on credit assets	–	–	4,811,520	4,811,520
Financial investments at fair value through other comprehensive income				
– Debt securities	–	89,428,153	148,495	89,576,648
– Rights to earnings on credit assets	–	–	28,966	28,966
– Equity investments	–	120,302	577,551	697,853
Total	<u>17,690,169</u>	<u>110,708,222</u>	<u>33,425,481</u>	<u>161,823,872</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	492,648	–	492,648
Derivative financial liabilities	–	159,573	–	159,573
Total	<u>–</u>	<u>652,221</u>	<u>–</u>	<u>652,221</u>

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(c) Financial instruments measured at fair value (Cont'd)

	As at 31 December 2020			Total
	Level 1	Level 2	Level 3	
Financial assets				
Derivative financial assets	–	12,879	–	12,879
Loans and advances to customers at fair value through other comprehensive income	–	–	27,817,116	27,817,116
Financial assets at fair value through profit or loss				
– Debt securities	–	12,142,543	–	12,142,543
– Fund investments	20,496,877	–	–	20,496,877
– Rights to earnings on credit assets	–	–	3,434,843	3,434,843
– Others	–	–	27,304	27,304
Financial investments at fair value through other comprehensive income				
– Debt securities	–	78,339,683	364,975	78,704,658
– Direct financing instruments for WMPs	–	–	226,063	226,063
– Rights to earnings on credit assets	–	–	446,175	446,175
– Equity investments	–	–	566,705	566,705
Total	<u>20,496,877</u>	<u>90,495,105</u>	<u>32,883,181</u>	<u>143,875,163</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	238,841	–	238,841
Derivative financial liabilities	–	17,263	–	17,263
Total	<u>–</u>	<u>256,104</u>	<u>–</u>	<u>256,104</u>

41 Financial risk management *(Cont'd)*

41.4 Fair value of financial assets and liabilities *(Cont'd)*

(c) Financial instruments measured at fair value (Cont'd)

The fair values of financial assets and liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and liabilities. Financial Market Department and Investment Banking and Wealth Management Department are responsible for carrying out the valuation of financial assets and financial liabilities. Valuation methods, parameters, assumptions and results are independently verified by the Comprehensive Risk Management Department; valuation results are obtained following the valuation process and accounted for in accordance with the accounting rules by the Operation Management Department; information on financial assets and liabilities for disclosure purposes is prepared by the Finance Department based on the independently reviewed valuation results. Valuation policies and procedures for various kinds of financial instruments are approved by the Group's Risk Management Committee. Any changes in valuation policies and procedures are required to be submitted to the Risk Management Committee for approval before being put into practice. For the years ended 31 December 2021 and 2020, there were no significant transfers between the fair value levels.

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(c) *Financial instruments measured at fair value (Cont'd)*

Information about the Level 3 fair value measurement using material unobservable inputs is as follows:

	As at 31 December 2021		
	Fair value	Valuation technique	Unobservable inputs Item
Loans and advances to customers at fair value through other comprehensive income	27,858,949	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial assets at fair value through profit or loss			
– Rights to earnings on credit assets	4,811,520	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial investments at fair value through other comprehensive income			
– Debt securities	148,495	Discounted cash flow	Risk-adjusted discount rate cash flow
– Rights to earnings on credit assets	28,966	Discounted cash flow	Risk-adjusted discount rate cash flow
– Equity investments	577,551	Market approach	Price to book ratio (P/B) Haircuts for low liquidity

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(c) Financial instruments measured at fair value (Cont'd)

	As at 31 December 2020		
	Fair value	Valuation technique	Unobservable inputs Item
Loans and advances to customers at fair value through other comprehensive income	27,817,116	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial assets at fair value through profit or loss			
– Rights to earnings on credit assets	3,434,843	Discounted cash flow	Risk-adjusted discount rate cash flow
– Others	27,304	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial investments at fair value through other comprehensive income			
– Debt securities	364,975	Discounted cash flow	Risk-adjusted discount rate cash flow
– Direct financing instruments for WMPs	226,063	Discounted cash flow	Risk-adjusted discount rate cash flow
– Rights to earnings on credit assets	446,175	Discounted cash flow	Risk-adjusted discount rate cash flow
– Equity investments	566,705	Market approach	Price to book ratio (P/B) Haircuts for low liquidity

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(c) *Financial instruments measured at fair value (Cont'd)*

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

	As at 31 December 2021			
	Effect on net profit		Effect on revaluation reserve	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income	-	-	290,782	(290,508)
Financial assets at fair value through profit or loss				
- Rights to earnings on credit assets	60,369	(60,072)	-	-
Financial investments at fair value through other comprehensive income				
- Debt securities	-	-	1,392	(1,394)
- Rights to earnings on credit assets	-	-	269	(270)
- Equity investments	-	-	10,322	(10,220)

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(c) Financial instruments measured at fair value (Cont'd)

	As at 31 December 2020			
	Effect on net profit		Effect on revaluation reserve	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income	-	-	224,399	(224,395)
Financial assets at fair value through profit or loss				
- Rights to earnings on credit assets	44,511	(44,442)	-	-
- Others	336	(336)	-	-
Financial investments at fair value through other comprehensive income				
- Debt securities	-	-	3,569	(3,549)
- Direct financing instruments for WMPs	-	-	2,261	(2,261)
- Rights to earnings on credit assets	-	-	4,953	(4,942)
- Equity investments	-	-	10,104	(10,004)

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(c) Financial instruments measured at fair value (Cont'd)

The movement of Level 3 fair value measurements is as follows:

	1 January 2021	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		31 December 2021	Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the year
			Purchases	Sales and settlements	Recorded in profit or loss	Recorded in other comprehensive income		
Assets								
Loans and advances to customers at fair value through other comprehensive income	27,817,116	-	27,862,255	(27,817,116)	-	(3,306)	27,858,949	-
Financial assets at fair value through profit or loss								
- Rights to earnings on credit assets	3,434,843	-	2,684,000	(1,243,014)	(64,309)	-	4,811,520	(64,309)
- Others	27,304	-	-	(27,304)	-	-	-	-
Sub-total	3,462,147	-	2,684,000	(1,270,318)	(64,309)	-	4,811,520	(64,309)
Financial investments at fair value through other comprehensive income								
- Debt securities	364,975	13,041	-	(184,224)	-	(45,297)	148,495	-
- Direct financing instruments for WMPs	226,063	-	-	(226,063)	-	-	-	-
- Rights to earnings on credit assets	446,175	-	-	(136,236)	-	(280,973)	28,966	-
- Equity investments	566,705	-	-	-	-	10,846	577,551	-
Sub-total	1,603,918	13,041	-	(546,523)	-	(315,424)	755,012	-
Total	32,883,181	13,041	30,546,255	(29,633,957)	(64,309)	(318,730)	33,425,481	(64,309)

41 Financial risk management (Cont'd)

41.4 Fair value of financial assets and liabilities (Cont'd)

(c) Financial instruments measured at fair value (Cont'd)

	1 January 2020	Acquisition of a subsidiary	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		31 December 2020	Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the year
				Purchases	Sales and settlements	Recorded in profit or loss	Recorded in other comprehensive income		
Assets									
Loans and advances to customers at fair value through other comprehensive income	17,968,481	1,444,963	-	24,310,566	(17,968,480)	-	2,061,586	27,817,116	-
Financial assets at fair value through profit or loss									
- Rights to earnings on credit assets	3,130,299	-	-	6,032,018	(3,130,299)	(2,597,175)	-	3,434,843	(2,597,175)
- Others	29,337	-	-	-	-	(2,033)	-	27,304	(2,450)
Sub-total	<u>3,159,636</u>	<u>-</u>	<u>-</u>	<u>6,032,018</u>	<u>(3,130,299)</u>	<u>(2,599,208)</u>	<u>-</u>	<u>3,462,147</u>	<u>(2,599,625)</u>
Financial investments at fair value through other comprehensive income									
- Debt securities	381,121	-	112,803	-	-	-	(128,949)	364,975	-
- Direct financing instruments for WMPs	612,927	-	-	205,840	(592,010)	-	(694)	226,063	-
- Rights to earnings on credit assets	601,569	-	-	432,848	(577,774)	-	(10,468)	446,175	-
- Equity investments	563,149	-	-	-	-	-	3,556	566,705	-
Sub-total	<u>2,158,766</u>	<u>-</u>	<u>112,803</u>	<u>638,688</u>	<u>(1,169,784)</u>	<u>-</u>	<u>(136,555)</u>	<u>1,603,918</u>	<u>-</u>
Total	<u>23,286,883</u>	<u>1,444,963</u>	<u>112,803</u>	<u>30,981,272</u>	<u>(22,268,563)</u>	<u>(2,599,208)</u>	<u>1,925,031</u>	<u>32,883,181</u>	<u>(2,599,625)</u>

41 Financial risk management (Cont'd)

41.5 Capital management

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient owner returns and benefits for other stakeholders.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Bank's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Bank calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by CBIRC in June 2012. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

As at 31 December 2021 and 2020, the capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50% respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. At present, the Bank is fully compliant with legal and regulatory requirements.

41 Financial risk management (Cont'd)

41.5 Capital management (Cont'd)

The capital adequacy ratio of 31 December 2021 and 2020 under the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) is as follows:

	As at 31 December	
	2021	2020
Core tier 1 capital	48,302,837	37,017,880
Core tier 1 capital deductions	(614,169)	(543,201)
Net core tier 1 capital	47,688,668	36,474,679
Other tier 1 capital	123,227	116,300
Net tier 1 capital	47,811,895	36,590,979
Tier 2 capital	8,058,585	7,676,173
Net capital	55,870,480	44,267,152
Total risk-weighted assets	342,993,018	316,197,405
Core tier 1 capital adequacy ratio	13.90%	11.54%
Tier 1 capital adequacy ratio	13.94%	11.57%
Capital adequacy ratio	16.29%	14.00%

42 Events after the reporting period

42.1 Dividend

Upon approval at the Board of Directors on March 25, 2022, the Bank distributed cash dividend of RMB2.9 (tax inclusive) per ten shares, with a total amount of RMB1,998 million, to shareholders of the Bank, subject to the approval by the shareholders in the annual general meeting.

43 STATEMENT OF FINANCIAL POSITION OF THE BANK

	As at 31 December	
	2021	2020
ASSETS		
Cash and balances with central banks	30,909,919	32,372,011
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	11,212,384	13,880,849
Derivative financial assets	148,556	12,879
Loans and advances to customers	266,266,872	234,685,274
Financial investments	202,040,382	191,100,234
– Financial assets at fair value through profit or loss	42,887,490	35,971,047
– Financial investments at amortised cost	79,116,395	78,721,881
– Financial investments at fair value through other comprehensive income	80,036,497	76,407,306
Investment in subsidiaries	3,735,487	3,735,487
Investment in associates	455,392	432,990
Property and equipment	1,932,862	1,760,613
Right-of-use assets	761,640	495,877
Deferred tax assets	2,987,372	2,765,742
Other assets	1,323,048	1,484,835
Total assets	521,773,914	482,726,791
LIABILITIES		
Borrowings from central banks	10,514,168	30,239,596
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	37,881,929	41,899,089
Financial liabilities at fair value through profit or loss	492,648	238,841
Derivative financial liabilities	159,573	17,263
Deposits from customers	352,985,458	316,367,152
Debt securities issued	68,514,286	50,635,237
Taxes payable	551,157	820,579
Lease liabilities	309,792	348,473
Other liabilities	3,016,949	6,003,995
Total liabilities	474,425,960	446,570,225
EQUITY		
Share capital	6,888,546	5,740,455
Capital reserve	6,230,429	–
Revaluation reserve	755,768	212,485
Surplus reserve	7,737,394	7,177,594
General reserve	6,278,443	5,718,643
Retained earnings	19,457,374	17,307,389
Total equity	47,347,954	36,156,566
TOTAL LIABILITIES AND EQUITY	521,773,914	482,726,791

Approved and authorized for issue by the Board of Directors on 25 March 2022.

Chairman:	President:	Vice President:	Head of the Accounting Department:
Wang Yaoqiu	Fu Qiang	Chen Wei	Zhong Xuemei

Unaudited Supplementary Financial Information

(All amounts in RMB thousand, unless otherwise stated)

1. Liquidity coverage ratio

	As at 31 December	
	2021	2020
Liquidity coverage ratio	<u>227.35%</u>	<u>244.16%</u>

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2. Leverage ratio

	As at 31 December	
	2021	2020
Leverage ratio	<u>8.10%</u>	<u>6.87%</u>

In accordance with the requirements of the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)*, the leverage ratio shall not be less than 4%.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with formulas set out by CBIRC and financial information prepared under the PRC GAAP.

Unaudited Supplementary Financial Information (Cont'd)

(All amounts in RMB thousand, unless otherwise stated)

3. Currency concentrations

	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
31 December 2021				
Spot assets	759,746	567,089	5,522	1,332,357
Spot liabilities	753,511	571,198	10,382	1,335,091
Forward Purchase	565,355	–	3,635	568,990
Forward Sales	463,513	–	–	463,513
Net long/(short) position	108,077	(4,109)	(1,225)	102,743

	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	Total
31 December 2020				
Spot assets	631,482	598,975	2,101	1,232,558
Spot liabilities	598,305	614,464	5,764	1,218,533
Forward Purchase	435,211	–	–	435,211
Forward Sales	406,098	–	–	406,098
Net long/(short) position	62,290	(15,489)	(3,663)	43,138

Unaudited Supplementary Financial Information (Cont'd)

(All amounts in RMB thousand, unless otherwise stated)

4. International claims

The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group mainly conducts its business operations within Mainland China, and regards all third-party claims outside Mainland China as cross-border claims.

International claims include balances with central banks, financial assets held under resale agreements and deposits and placements with banks and other financial institutions, loans and advances to customers and financial investments.

International claims are presented by country or geographical regions. International claims of a country or geographical region are reported only when its cross-border claims, including risk transfers constitute 10% or more of the aggregate amount of international claims. Risk transfers are made if the place where the guarantor of claims is located is not the same as the counterparty or if the debtor is an overseas branch of a bank whose headquarters is located in another country.

	31 December 2021			Total
	Banks	Official sector	Non-bank private sector	
Asia Pacific, excluding Mainland China	885,863	–	59,267	945,130
– Amounts attributable to Hong Kong	557,731	–	56,347	614,078
Europe	12,510	–	–	12,510
North and South Americas	33,346	–	341,371	374,717
Total	<u>931,719</u>	<u>–</u>	<u>400,638</u>	<u>1,332,357</u>

	31 December 2020			Total
	Banks	Official sector	Non-bank private sector	
Asia Pacific, excluding Mainland China	415,022	–	95,113	510,135
– Amounts attributable to Hong Kong	173,648	–	95,113	268,761
Europe	370,818	–	–	370,818
North and South Americas	76,324	–	275,281	351,605
Total	<u>862,164</u>	<u>–</u>	<u>370,394</u>	<u>1,232,558</u>

Unaudited Supplementary Financial Information (Cont'd)

(All amounts in RMB thousand, unless otherwise stated)

5. Overdue assets

(1) Gross carrying amount of overdue loans and advances to customers

	31 December 2021	31 December 2020
Overdue		
Within 3 months	1,190,617	1,017,345
3 to 6 months	707,997	327,679
6 to 12 months	564,803	301,604
More than 12 months	652,374	901,608
Total	<u>3,115,791</u>	<u>2,548,236</u>

The percentages of overdue loans and advances to customers

	31 December 2021	31 December 2020
Overdue		
Within 3 months	0.40%	0.39%
3 to 6 months	0.24%	0.13%
6 to 12 months	0.19%	0.12%
More than 12 months	0.22%	0.34%
Total	<u>1.05%</u>	<u>0.98%</u>

Unaudited Supplementary Financial Information (Cont'd)

(All amounts in RMB thousand, unless otherwise stated)

5. Overdue assets (Cont'd)

(2) Nominal value overdue financial assets at fair value through profit or loss

	31 December 2021	31 December 2020
Overdue		
Within 3 months	–	–
3 to 6 months	–	–
6 to 12 months	–	–
More than 12 months	25,721	26,500
Total	<u>25,721</u>	<u>26,500</u>

(3) Nominal value of overdue financial investments at fair value through other comprehensive income

	31 December 2021	31 December 2020
Overdue		
Within 3 months	490,000	1,206,577
3 to 6 months	–	–
6 to 12 months	27,000	40,000
More than 12 months	1,846,393	841,000
Total	<u>2,363,393</u>	<u>2,087,577</u>

Supplementary Information on Leverage Ratio

Supplementary Information on Leverage Ratio

APPENDIX I: INFORMATION ON LEVERAGE RATIO

Accounting Items Corresponding to Leverage Regulatory Items and Differences between Regulatory Items and Accounting Items

(Unit: RMB'000)

No.	Item	December 31, 2021
1	Consolidated total assets	584,191,845
2	Consolidated adjustments	–
3	Adjustments on client assets	–
4	Derivatives adjustments	42,264
5	Securities financing transaction adjustments	–
6	Off-balance sheet item adjustments	6,569,187
7	Other adjustments	(614,169)
8	Adjusted balance of on-balance and off-balance sheet assets	590,189,128

Note: The above data referred in the table are based on off-site supervision statement of the Group of the CBIRC.

Supplementary Information on Leverage Ratio (Cont'd)

Leverage Ratio Level, Net Tier 1 Capital, Adjusted On- Balance and Off-Balance Sheet Assets and Related Details

(Unit: RMB'000)

Item	December 31, 2021
On-balance sheet assets (except derivatives and securities financing transactions)	561,540,373
Less: Tier 1 capital deductions	(614,169)
Adjusted balance of on-balance sheet assets (excluding derivatives and securities financing transactions)	560,926,204
Replacement cost of various derivatives (net of qualifying margin)	148,486
Potential exposures of various derivatives	74,977
Total collateral been deducted from the balance sheet	-
Less: Assets receivable due to provision of qualified margin	-
Less: Derivative product asset balance formed from transactions with central counterparties when providing clearing services to clients	-
Notional principal for selling credit derivatives	-
Less: Deductible balance of sold credit derivatives assets	-
Derivative asset balance	223,463
Balance of accounting asset for securities financing transactions	22,470,274
Less: balance of securities financing transaction assets that can be deducted	-
Counterparty credit exposure for securities financing transactions	-
Asset balance of securities financing transactions formed by agency securities financing transactions	-
Asset balance of securities financing transactions	22,470,274
Off-balance sheet item balance	15,788,694
Less: Balance of off-balance sheet items decreased due to credit conversion	(9,219,507)
Adjusted off-balance sheet item balance	6,569,187
Net Tier 1 capital	47,811,895
Adjusted balance of on- and off-balance sheet assets	590,189,128
Leverage ratio	8.10%

Note:

Except for net tier 1 capital and deductions from tier 1 capital, data referred in the table are based on off-site supervision statement of the Group of the CBIRC.



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