DRC Bank

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

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

2023 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board of Directors**") of Dongguan Rural Commercial Bank Co., Ltd. (the "**Bank**") is pleased to announce the audited consolidated annual results (the "**Annual Results**") of the Bank and its subsidiaries for the year ended 31 December 2023. The audit committee of the Board of Directors has reviewed and confirmed the Annual Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.drcbank.com). The 2023 annual report of the Bank will be available on the above websites on or before 30 April 2024.

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

Dongguan City, Guangdong Province, the PRC
26 March 2024

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

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

Contents

Important Notice		2
Definitions		4
Chairman's Statement		8
Chapter I	**Company Profile and Business Overview**	12
Chapter II	**Accounting Data and Financial Indicators Highlights**	19
Chapter III	**Management Discussion and Analysis**	25
	I. OPERATION OVERVIEW	26
	II. KEY OPERATING DATA	27
	III. OVERALL BUSINESS DEVELOPMENT	59
	IV. BUSINESS OPERATION	61
	V. RISK MANAGEMENT	69
	VI. ENVIRONMENTAL ANALYSIS AND FUTURE PROSPECT	80
Chapter IV	**Environmental, Social and Governance**	84
Chapter V	**Sannong Financial Services**	93
Chapter VI	**Changes in Share Capital and Information on Shareholders**	103
Chapter VII	**Corporate Governance Report**	113
Chapter VIII	**Report of the Board of Directors**	164
Chapter IX	**Report of the Board of Supervisors**	177
Chapter X	**Other Matters**	188
Chapter XI	**Financial Report**	191

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

Important Notice

The Board of Directors, the Board of Supervisors and the Directors, Supervisors and senior management of the Bank hereby confirm the truthfulness, accuracy and completeness of the contents of this annual report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

On March 26, 2024, the 79th meeting of the fourth session of the Board of Directors of the Bank was held at the conference room of Dongguan Rural Commercial Bank Building. It considered and approved the 2023 Annual Report of Dongguan Rural Commercial Bank Co., Ltd. (the "Report") in its entirety. 17 Directors were eligible for attending the meeting and 17 Directors were present in person. 10 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. This annual report was also reviewed and approved by the Audit Committee of the Board of Directors of the Bank.

The 2023 annual financial report prepared in accordance with International Financial Reporting Standards has been audited by our auditor KPMG, who has issued a standard auditor's report with unqualified opinion.

Mr. Lu Guofeng, the legal representative and chairman of the Bank, Mr. Fu Qiang, the president, Mr. Zhong Guobo, the person-in-charge of accounting, and Ms. Zhong Xuemei, the head of the accounting department, hereby declare and assure the truthfulness, accuracy, and completeness of the financial reports in this Report.

The Bank proposed to (i) provide 10% or RMB506 million of the audited net profit of the Bank for the year of 2023 as statutory surplus reserve, (ii) provide 10% or RMB506 million of the net profit as general reserve and (iii) based on total share capital, cash dividends of RMB0.265 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 2023 annual general meeting. Further details in relation to the distribution of the final dividend and the relevant closure of register of members arrangement will be announced in the circular of 2023 annual general meeting of the Bank.

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 gives no assurance that these expectations will be realized or proved to be correct and these statements should not be considered as commitment of the Group. Investors and persons concerned should be fully aware of the risks and understand the difference among plans, estimates and commitments.

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.

Under different circumstances, this Report discloses relevant information on Group basis or at level of the parent bank only. Therefore, there exists inconsistency between the data of the "Group" and the "Bank" and such inconsistency 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.

There may be discrepancies between the arithmetic sum of certain breakdowns and the corresponding total amount, which is due to rounding rather than data error.

This Report is prepared in 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

"Articles of Association" or "Articles"	unless otherwise indicated in the context, the articles of association of the Bank currently in force
"Bank" or "our Bank" or "Dongguan Rural Commercial Bank"	Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行股份有限公司), a joint stock company established on December 22, 2009 through restructuring in the PRC with limited liability, and includes its predecessor, branches and sub-branches (for the avoidance of doubt, excluding its subsidiaries)
"Board of Directors"	the board of Directors of our Bank
"Board of Supervisors"	the board of Supervisors of our Bank
"CBIRC"	the former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會); according to the Plan for the Reform of Party and State Institutions issued by the CPC Central Committee and the State Council in March 2023, the National Financial Regulatory Administration was established on the basis of the China Banking and Insurance Regulatory Commission
"CBRC"	the former China Banking Regulatory Commission (中國銀行業監督管理委員會), which has merged with China Insurance Regulatory Commission to establish the CBIRC in accordance with the Notice of the State Council on the Setup of Institutions (Guo Fa [2018] No. 6) (國務院關於機構設置的通知(國發[2018]6號)) issued by the State Council on March 24, 2018
"Chaoyang Rural Commercial Bank" or "Chaoyang RCB"	Guangdong Chaoyang Rural Commercial Bank Co., Ltd. (廣東潮陽農村商業銀行股份有限公司), a joint stock company incorporated on December 27, 2020 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules, as current in force
"Director(s)"	the director(s) of our Bank
"Domestic Share(s)"	ordinary share(s) issued by our Bank in the mainland of the PRC
"Domestic Shareholder(s)"	holder(s) of Domestic Share(s)
"Dongguan Dalang Dongying County Bank"	Dongguan Dalang Dongying County Bank Company Limited (東莞大朗東盈村鎮銀行股份有限公司), a company incorporated on June 25, 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
"Group" or "we" or "us"	the Bank and its subsidiaries

"Hezhou Babu Dongying County Bank"	Hezhou Babu Dongying County Bank Company Limited (賀州八步東盈村鎮銀行股份有限公司), a company incorporated on August 8, 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Share(s)"	ordinary share(s) issued by our Bank in Hong Kong, the PRC
"H Shareholder(s)"	holder(s) of H Share(s)
"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
"Latest Practicable Date"	March 26, 2024, being the latest practicable date prior to the printing of this annual report for ascertaining certain data contained herein
"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 set forth in Appendix C3 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
"PBoC" or "Central Bank"	The People's Bank of China, the central bank of the PRC
"Puning Rural Commercial Bank" or "Puning RCB"	Guangdong Puning Rural Commercial Bank Co., Ltd. (廣東普寧農村商業銀行股份有限公司), an institution that the Bank is entrusted by the Dongguan Municipal Government to oversee
"Report" or "this Report"	2023 Annual Report of Dongguan Rural Commercial Bank Co., Ltd.
"Reporting Period"	the year ended December 31, 2023
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"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 the National Bureau of Statistics of China
"Supervisor(s)"	the supervisor(s) of our Bank
"The High-Quality Development Project Covering Every County, Every Town and Every Village" or "High-Quality Development Project"	The strategic deployment of Guangdong Provincial Party Committee on promoting the coordinated development of urban and rural areas in Guangdong Province, that is, taking the 122 counties (cities and districts), 1,609 towns (sub-districts), and 26,500 administrative villages (communities) in the province as the main body to comprehensively promote the high-quality development of counties, towns and villages in the province.
"three dispatch systems"	refers to the community-level work system that Dongguan Rural Commercial Bank uses 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 local rural revitalization and financial instructors, Party building and co-construction liaisons, and 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 Rural Commercial Bank" or "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
"1310"	arrangements made by the CPC Guangdong Provincial Committee for pursuing the overarching goal of leading the path forward, activating the three driving forces of reform, opening up, and innovation, and striving to achieve breakthroughs in ten aspects
"1+3+N"	the service 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 the "Three circles" of family circle, business circle, and friends circle of individual customers such as enterprise owners and substantial shareholders, as well as the "N" relates to small and micro enterprises and retail banking customers on their chains

Chairman's Statement

ADVANCING HIGH-QUALITY DEVELOPMENT WITH RESPONSIBILITY, ACTION, REFORM AND INNOVATION

2023 marks the opening year of the full implementation of the spirit of the 20th CPC National Congress and the closing year of our Three-year Development Planning. Looking back to the past year, we reshaped operation and management concepts faster, and reformed the organizational structure, system and architecture in greater depth. We spared no effort to incubate the innovative development-driven growth poles and rewrote the new chapter of high-quality development with tangible action.

During the year, we upheld the customer-centric and market-oriented operation concepts and maintained a steady increase in operation quality and benefits. The Group's total assets exceeded RMB700 billion and reached RMB708.854 billion. The consolidated deposit balance amounted to RMB487.095 billion, the consolidated loan balance totaled RMB355.073 billion, maintaining the leading position in the local banking sector. The Group achieved the operating revenue of RMB13.260 billion and a net profit of RMB5.346 billion, and recorded a capital adequacy ratio of 15.85%, a non-performing loan ratio of 1.23% and a provision coverage ratio of 308.30%. The Group seized the development initiative amid risks and challenges. The Group ranked 214th in the global banking sector and 38th in the Chinese banking sector, and further enhanced the brand value.

During the year, we adhered to the market role of serving the real economy and performed the mission as the financial pillar in the local region. Catering to the strategic vision of novel industrialization and the urban feature of "technological innovation + advanced manufacturing" in Dongguan, the Group implemented the "High-Quality Development Project" with financial support in every aspect and scaled up the financial supply to major fields and vulnerable links. We reinforced customer penetration in greater depth, and successively reduced the financing cost of enterprises. We spared no effort to support the construction of modern industrial systems, modern development of "Sannong", urban quality enhancement and assurance of society and people's livelihood. We recorded a two-digit increase in the loan balances with technological innovation, green development, financial service for "Sannong" and other fields, and contributed our financial force to boost the local economy development across the board.

During the year, we adhered to the confidence and determination of reform and innovation and took a prudential step towards high-quality development. We initiated the organizational structure optimization in every aspect across the Bank, formed a "flat, professional and market-oriented" ecological organizational structure. We forged an intensive and efficient organizational management mode for the Head Office's functions and devised an agile organizational mode consisting of "team + platform" at the branch level. We reshaped the credit risk management mechanism, continuously enhanced the operating efficiency and customer service capacity and attained the objectives of comprehensive fusion, comprehensive collaboration and comprehensive agility, which will inject a new drive for the Bank's high-quality development.

During the year, we held fast to the strategic vision of digital transformation and strengthened the capacity for technological collaboration and innovation. As the pilot for digital transformation and data governance in the province, we started to build the new core system as the "No. 1 Project" towards digital transformation. To this end, we embarked on the comprehensive upgrade of the core system, established and refined the data governance management system and developed the capacity of the data middle office in order. We always eyed digital empowerment scenarios in depth, reinforced the fusion between technological empowerment and business, which has provided a mighty stake for the digital transformation.

2024 is the 75th anniversary of the founding of the PRC, is a critical year to fulfill the objectives and tasks outlined in the 14th Five-Year Plan, and is also an opening year that the Group will put the new strategy in practice. In the new year, we will adhere to the keynotes of seeking progress while ensuring stability, promoting stability amid progress and making the new before breaking the old, and propel the steady result enhancement and prudential business development of the Group.

We will hold fast to our position, fight hard and continuously focus on serving the real economy. We will carry out in depth the essences of the Central Economic Work Conference and the Central Financial Work Conference, and firmly adhere to "Eight Persist" for the way of financial development with Chinese characteristics. We will stick to the principal operation of supporting agriculture, supporting SMEs and supporting the real economy, and shoulder the mission and responsibility to promote the local rural area revitalization. Echoing the specific action plan of Guangdong Province for the "1310" and seizing the development opportunities derived from the "Investment Year" and other campaigns of Dongguan City, the Group will implement in depth the action plans for various stages of the "High-Quality Development Project" with respect to financial support, boost the real economy development with better-quality financial services and fully demonstrate the responsibility as the financial main force in the local region.

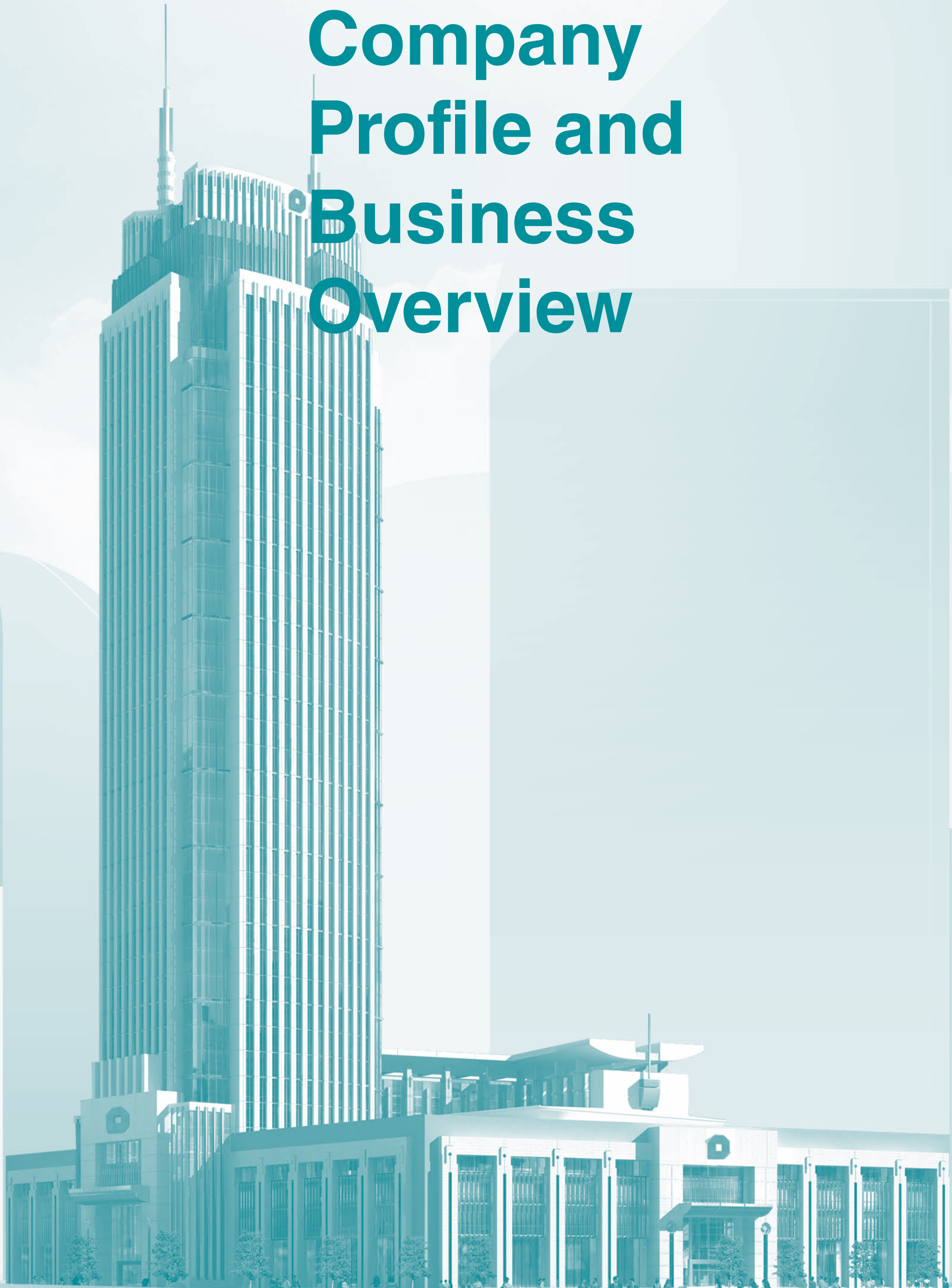
We will embrace changes, cater to the situation and improve the high-quality development capacity in every dimension. In face of the complexity, volatility and uncertainty of the external environment and competition among peers, we will be more acute to feel the pulse of the economic cycle, keep a keen foresight into the market trend and profound insight into customer needs and address the indefiniteness of the future with the definiteness of strategy. We will further build up the investment research capacity, expedite the upgrade of management mechanisms, products and services and focus on quality as the first lifeline. We will actively seek new points of growth and breakthrough, and consolidate our leading position as the financial main force in the local region in every aspect.

We will deepen reforms, take the initiative and work to exert the internal drive and vitality. We will echo the requirement of accelerating reform and innovation, maintain the drive for innovation and transformation, and focus on "hard but correct" things. We will reform the organizational system and risk management system in greater depth, forge new quality and benefit enhancement mechanisms and walk faster towards digital transformation. We will reinforce the professional team, make new breakthroughs and progress in changing the old and making the new, and develop new advantages as the financial main force in the local region.

A man who doesn't stop the step because of hardships will set to conquer the lofty range. In face of the complicated situations at home and abroad, we will adhere to the guidelines that "development is the top priority, innovation is the primary drive, and talents are the primary resource", meet challenges and hold it on to make it. We will go the way of operation and management with the characteristics of Dongguan Rural Commercial Bank, and strive to create greater values for shareholders, employees and society, with the prudential and steady operating results, system and mechanism with continuous iteration, and inspiring mental status.

Dongguan Rural Commercial Bank Co., Ltd.
Chairman: Lu Guofeng

Chapter I Company Profile and Business Overview



I. GENERAL 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	Lu Guofeng
Authorised 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
Registered address	No. 2, Hongfu East Road, Dongcheng Street, Dongguan City, Guangdong Province, the PRC
Postal code	523123
Company's 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	KPMG
PRC legal advisor	C&T Partners
Hong Kong legal advisor	King & Wood Mallesons
Designated information disclosure websites	Website of the Hong Kong Stock Exchange (www.hkexnews.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	22 December 2009
Registered capital	RMB6,888,545,510
Unified Social Credit Code	914419007829859746
Financial license number	B1054H344190001

II. COMPANY PROFILE

DRCB, as an independent legal entity, is a headquarter-level local joint stock commercial bank. The Bank was established in 1952 and its predecessor is Dongguan Rural Credit Cooperatives 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 29 September 2021 (stock code: 9889.HK), making it the 13th listed rural commercial bank and the 4th H-share listed rural commercial Bank in PRC, and the first listed local legal financial institution in Dongguan.

As of the end of 2023, the Group's total assets amounted to RMB708.854 billion, representing a year-on-year increase of 7.78%; the Group's balance of deposits was RMB487.095 billion, representing a year-on-year increase of 6.08%; and the balance of loans was RMB355.073 billion, representing a year-on-year increase of 6.95%. The Group's non-performing loan ratio was 1.23%, the provision coverage ratio was 308.30%, the capital adequacy ratio was 15.85%, the tier-one capital adequacy ratio was 13.65%, and the net profit was RMB5.346 billion, with ROA (return on assets) and ROE (return on equity) of 0.78% and 9.61%, respectively.

According to the latest statistics of British "The Banker", in terms of tier-one capital as of the end of 2022, the Bank ranked 214th in the global banking industry, among the top 300 in the global banking industry. The Bank ranked 38th in the "Top 100 Banks in China of 2023" released by China Banking Association in terms of net core tier-one capital and other statistical indicators as of the end of 2022, and 5th among rural commercial banks in the PRC. As the only Dongguan-based entity listed in the "2023 Global 2000" by Forbes, the Bank ranked 1,208th. In the "Hurun China 500 Most Valuable Private Companies 2022" list released by Hurun Research Institute, the Bank ranked 292nd with a valuation of RMB44.5 billion.

As of the end of December 2023, the Bank has established a total of 499 business outlets (including the headquarter), including 39 tier-one branches and sub-branches, 199 tier-two sub-branches and 260 offices, a total of 498 business outlets. At the same time, the Bank has further developed into a regional group, 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, Huizhou Zhongkai Dongying County Bank, Yunfu Xinxing Dongying County Bank, Dongguan Dalang Dongying County Bank, Hezhou Babu Dongying County Bank, managed Zhanjiang RCB and Chaoyang RCB, assisted Dongguan Municipal Government in managing Puning RCB, and invested in Guangdong Shunde Rural Commercial Bank Co., Ltd, Guangdong Xuwen Rural Commercial Bank Co., Ltd, Guangdong Lechang Rural Commercial Bank Co., Ltd and Yaan Rural Commercial Bank Co., Ltd, which has preliminarily formed a development pattern with Dongguan as center, and Guangdong-Hong Kong-Macao Greater Bay Area as the core, fully contributing to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the integrated development of Guangdong, Hong Kong and Macao.

Looking to the future, the Bank will continue adhering to the business philosophy of "customer-centric, market-oriented and efficiency-oriented", serve the real economy, continue to enhance the professional level in financial services, and comprehensively support the high-quality development of local economy.

III. INVESTMENT VALUE AND CORE COMPETITIVENESS

Prosperous operating area, unique strategic opportunities. The Group has deeply cultivated the Dongguan market, developed based on the Greater Bay Area, seized the opportunity to develop the two provincial sub-centers in Shantou and Zhanjiang, stabilized the main structure of "One Core with Two Wings", 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"[1] and the new local starting point of "double 10,000 (雙萬)"[2] 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, maintains strategic focus, effectively responds to complex cyclical fluctuation, and insists on the road of coordinated development of quality, scale and effectiveness. The operating scale of the Group grows steadily, the asset quality and profitability continue to be optimized, and we continue to create value for Shareholders.

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, being supported by technology and being driven by innovation, and strives to achieve a comprehensive improvement in market share acquisition 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 flat, professional and market-oriented operation, deepens the internal organizational and systematic reform, and continues to promote empowerment for the grassroots departments. The Group makes quick decisions on business deployment, responds quickly to customer needs, identifies risks quickly, and achieves high operational efficiency. Focusing on the "High-Quality Development Project" project with financial support, the Group fully exerts its advantages in the outlet network, interpersonal relation and region to fully support the rural area revitalization. We will promote inclusive financial services in depth, support the real economy development with every possible effort and maintain strong market competitiveness.

Solid risk management and steady progress of smart risk control. 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" and the "risk drive + risk empowerment" management mode, optimizes the risk management mechanism, and reinforces the high-risk credit management. We enhance the digitalization of risk management, and effectively prevents and mitigates various risks, escorting the sustainable development of business operation.

1 "Overlapping three districts" refers to 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.

2 "double 10,000 (雙萬)" refers to GDP of trillions and a population of 10 million in Dongguan.

Technology-driven development, full power acceleration of digital development. With the strategy of "running in small steps and winning locally", the Group has endeavored to build the foundation for the digital transformation with a focus on the implementation of the new-generation core system project. Through the empowerment of financial technology ("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 organizational 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, rural collective economic organizations, natural person and employee. 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 "customer-centric, market-oriented, and efficiency-oriented", 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 unites the entire Group for coordinated and common development with corporate culture.

IV. MAJOR HONORS AND AWARDS

2023	
January	**2022 Word-of-mouth List of China's Listed Companies – The Most Growing Overseas Listed Company** National Business Daily
March	**2023 Excellent Case of "Government-Bank Interaction" of Public Data Operations in China** Smart City Working Committee of the China Law Association on Science and Technology (CLAST) China Smart City Forum
April	**Outstanding Strategic Cooperation Unit of Financial Development Forum in the Guangdong-Hong Kong-Macao Greater Bay Area** Institute of Finance and Banking, Development Research Center of the State Council Guangdong Administration of Financial Regulation
May	**The 7th Golden Tangerine Awards of Time Finance — 2022 Technology–empowered Financial Institutions Award** Time-weekly

2023	
June	**Excellent Performance Award for Aiding Enterprises in 2022** Guangdong SME Financing Platform
	Bronze Cup for Guangdong Poverty Alleviation Red Cotton Cup in 2022 Leading Group of Rural Work of Guangdong Provincial Committee of the CPC
	Ranking 1,208th in the Top 2,000 Global Enterprise in 2023 Forbes Magazine, a journal in the U.S.
	"Golden Honor Award" for Asset Management and Wealth Management Industry 2023 — Excellent Large Rural Commercial Bank for Asset Management PYStandard
July	**Ranking 214th in the Top 1,000 World Banks in 2023** The Banker, a journal in the U.K.
	Tianji Award for ESG Practices in China's Banking Industry in 2023 Securities Times Securities Trader China
	Shining the Qifeng Mountain — "Outstanding Performance in Addressing Challenges" of New Economic Organizations and New Social Organizations under the Leadership of the Party Building of Dongguan Organization Department of Dongguan Municipal Committee of the Chinese Communist Party Nanfang Media Group Dongguan Branch
August	**Ranking 38th in the Top 100 Banks in China in 2023** China Banking Association
September	**Ranking 38th in the Top 50 Private Service Enterprises of Guangdong Province** Guangdong Federation of Industry and Commerce
October	**Ranking 13th in the Top 100 Private Enterprises in Dongguan in 2023** Organizing Committee of the Dongguan Private Entrepreneurs' Day
	The 8th Leading Enterprise of High-quality Development in Dongguan in 2023 Organizing Committee of the Dongguan Private Entrepreneurs' Day
November	**Annual Market Impact Award for Interbank Local Currency Market in 2023** National Interbank Funding Center
	High Quality Growth Award in 2023 Time-weekly

2024	
January	**Excellent Comprehensive Business Organization of Shanghai Commercial Paper Exchange Corporation Ltd. in 2023** Shanghai Commercial Paper Exchange Corporation Ltd.
February	**Top 20 Enterprises in Dongguan by Principle Operating Income in 2023** Chinese Communist Party Dongguan Committee Dongguan Municipal People's Government
	Dongguan City Benefit Contribution Award in 2023 Chinese Communist Party Dongguan Committee Dongguan Municipal People's Government
	Excellent Green Financial Business Innovation Institution in 2023 Shanghai Clearing House

Chapter II Accounting Data and Financial Indicators Highlights

(Unit: RMB'000)

Operating results	For the year ended 31 December 2023	2022	2021	2020	2019	Percentage increase/ (decrease) for the Reporting Period as compared to the previous year (%)
Operating income	**13,260,162**	13,235,957	12,996,314	12,047,047	11,795,227	**0.18**
Profit before tax	**5,169,736**	6,284,062	5,989,651	5,372,109	5,700,774	**(17.73)**
Net profit	**5,345,816**	6,082,525	5,702,920	5,055,317	4,870,249	**(12.11)**
Net profit attributable to the shareholders of the Bank	**5,161,283**	5,931,681	5,589,700	4,856,926	4,935,856	**(12.99)**

(Unit: RMB/share)

Per share	For the year ended 31 December/as at 31 December 2023	2022	2021	2020	2019	Percentage increase/ (decrease) for the Reporting Period as compared to the previous year (%)
Net asset per share attributable to the shareholders of the Bank	**7.93**	7.42	6.88	6.30	5.89	**6.87**
Basic earnings per share	**0.75**	0.86	0.93	0.85	0.86	**(12.79)**
Diluted earnings per share	**0.75**	0.86	0.93	0.85	0.86	**(12.79)**

(Unit: RMB'000)

Scale indicators	As at 31 December 2023	2022	2021	2020	2019	Percentage increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year (%)
Total assets	**708,853,592**	657,689,972	593,361,093	548,401,956	461,208,802	**7.78**
Including: Gross loans and advances to customers (excluding accrued interest)	**355,073,342**	331,997,701	298,114,972	261,450,611	205,826,808	**6.95**
Allowance for expected credit loss/impairment provision for loans and advances to customers[(1)]	**13,357,114**	10,988,260	9,091,156	7,358,778	7,308,900	**21.56**
Total liabilities	**651,365,055**	603,870,043	543,378,980	509,759,142	425,737,021	**7.87**
Including: Total deposits from customers (excluding accrued interest)	**487,094,959**	459,162,554	413,961,013	372,589,791	309,918,540	**6.08**
Share capital	**6,888,546**	6,888,546	6,888,546	5,740,455	5,740,455	**—**
Shareholders' equity	**57,488,537**	53,819,929	49,982,113	38,642,814	35,471,781	**6.82**
Including: Equity attributable to shareholders of the Bank	**54,649,387**	51,127,714	47,378,632	36,145,627	33,814,404	**6.89**
Non-controlling interests	**2,839,150**	2,692,215	2,603,481	2,497,187	1,657,377	**5.46**

Note:

(1) Including the impairment provision on loans and advances to customers measured at amortized costs and the impairment provision on loans and advances to customers at fair value through other comprehensive income.

(Unit: %)

Profitability indicators	For the year ended 31 December 2023	2022	2021	2020	2019	Percentage point increase/ (decrease) for the Reporting Period as compared to the previous year
Return on average total assets(1)	**0.78**	0.97	1.00	1.00	1.12	**(0.19)**
Return on average equity(2)	**9.61**	11.72	12.87	13.64	14.92	**(2.11)**
Net interest spread(3)	**1.62**	1.89	1.90	2.10	2.10	**(0.27)**
Net interest margin(4)	**1.67**	1.92	1.96	2.16	2.18	**(0.25)**
Cost-to-income ratio(5)	**35.30**	34.78	34.18	31.51	28.84	**0.52**

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 total 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 31 December 2023	2022	2021	2020	2019	Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
Core tier-one capital adequacy ratio(2)	**13.62**	13.70	13.90	11.54	12.63	**(0.08)**
Tier-one capital adequacy ratio(3)	**13.65**	13.74	13.94	11.57	12.65	**(0.09)**
Capital adequacy ratio(4)	**15.85**	15.98	16.29	14.00	15.30	**(0.13)**
Ratio of total equity to total assets	**8.11**	8.18	8.42	7.05	7.69	**(0.07)**

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 31 December 2023	2022	2021	2020	2019	Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
Non-performing loan ratio[(1)]	**1.23**	0.90	0.84	0.82	1.00	**0.33**
Allowance coverage ratio[(2)]	**308.30**	373.83	375.34	375.13	389.57	**(65.53)**
Allowance to total loan ratio[(3)]	**3.81**	3.37	3.15	3.06	3.88	**0.44**

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 carrying amount instead of purchase price (i.e. fair value at 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 instead of purchase price (i.e. fair value at the acquisition date).

(3) Calculated by dividing the balance of loan impairment provision by total loans (excluding accrued interest), where the balance of loan impairment provision does not include 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 instead of purchase price (i.e. fair value at the acquisition date).

(Unit: %)

Other indicator	As at 31 December 2023	2022	2021	2020	2019	Percentage point increase/ (decrease) as at the end of the Reporting Period as compared to the end of the previous year
Loan-to-deposit ratio[1]	**72.94**	72.37	72.11	70.36	66.65	**0.57**

Note:

(1) Calculated by dividing total loans to customers (excluding accrued interest) by total deposits (excluding accrued interest), where the deposits and loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated at the original book value instead of fair value on the acquisition date.

Chapter III Management Discussion and Analysis

I. OPERATION OVERVIEW

In 2023, based on the business philosophy of "customer-centric, market-oriented and benefit-oriented", the Bank, focusing on the financial support to the "High-Quality Development Project", proactively served the national, provincial and municipal high-quality development, strove to enhance the quality and efficiency of services to the real economy, made every effort to prevent and resolve major financial risks, and continuously deepened the reform of the mechanism and system, in order to realize the sustainable and coordinated development of its own quality, scale, and efficiency.

In terms of business scale, as of the end of the Reporting Period, the Group's total assets amounted to RMB708.854 billion, with an increase of RMB51.164 billion, or 7.78%, over the beginning of the year. The balance of deposits amounted to RMB487.095 billion, with an increase of RMB27.932 billion, or 6.08%, over the beginning of the year. The balance of loans amounted to RMB355.073 billion, with an increase of RMB23.076 billion or 6.95% over the beginning of the year. The scale of assets increased steadily, and efforts to serve the real economy continued to strengthen.

In terms of development quality, as of the end of the Reporting Period, the Group's non-performing loan ratio was 1.23%, the provision coverage ratio was 308.30%, the capital adequacy ratio and tier-one capital adequacy ratio were 15.85% and 13.65% respectively, the capital adequacy ratios at all levels were better than the regulatory standard, and the overall risk was stable and controllable.

In terms of operation performance, during the Reporting Period, the Group achieved a pre-tax profit of RMB5.170 billion and a net profit of RMB5.346 billion, with ROA and ROE of 0.78% and 9.61% respectively.

II. KEY OPERATING DATA

(I) Analysis on income statement

During the Reporting Period, the Group achieved operating income of RMB13.26 billion, representing an increase of 0.18% over the corresponding period of the previous year, and net profit of RMB5.346 billion, representing a decrease of RMB0.737 billion, or 12.11%, over the corresponding period of the previous year, which was mainly attributable to the fact that the market interest rate maintained a downward trend, policy guidance financial sector continued to concess profit to the real economy and other factors resulting in the slow growth of operating income, while increasing provisions to enhance risk prevention ability.

The key items and movements in the Group's income statement are shown in the table below:

(unit: RMB'000)

	For the year ended 31 December			
Item	**2023**	2022	**Amount of increase/ (decrease)**	**Increase/ (decrease) Percentage (%)**
Net interest income	**10,572,309**	10,933,275	(360,966)	(3.30)
Net non-interest income	**2,687,853**	2,302,682	385,171	16.73
Operating income	**13,260,162**	13,235,957	24,205	0.18
Operating expense	**(4,820,138)**	(4,747,924)	(72,214)	1.52
Expected credit losses	**(3,322,146)**	(2,238,823)	(1,083,323)	48.39
Operating profit	**5,117,878**	6,249,210	(1,131,332)	(18.10)
Share of profits of associates	**51,858**	34,852	17,006	48.79
Profit before tax	**5,169,736**	6,284,062	(1,114,326)	(17.73)
Income tax expense	**176,080**	(201,537)	377,617	(187.37)
Net profit	**5,345,816**	6,082,525	(736,709)	(12.11)
Net profit attributable to the shareholders of the Bank	**5,161,283**	5,931,681	(770,398)	(12.99)
Net profit attributable to the non-controlling interests	**184,533**	150,844	33,689	22.33

1. Net interest income

During the Reporting Period, the Group's net interest income amounted to RMB10.572 billion, representing a year-on-year decrease of RMB0.361 billion, or 3.30%, which was mainly attributable to the decline in interest spread due to the dual impact of the Bank's preferential policies to support the real economy and the reduction of LPR (the Loan Prime Rate).

The following table sets forth the Group's interest income, interest expense and net interest income for the periods indicated:

(unit: RMB'000)

Item	For the year ended 31 December 2023	For the year ended 31 December 2022	Amount of increase/ (decrease)	Increase/ (decrease) Percentage (%)
Interest income	**23,082,553**	22,780,191	302,362	1.33
Interest expense	**(12,510,244)**	(11,846,916)	(663,328)	5.60
Net interest income	**10,572,309**	10,933,275	(360,966)	(3.30)

(1) Net interest spread and net interest margin

During the Reporting Period, the Group's average yield on interest-earning assets amounted to 3.64%, representing a year-on-year decrease of 0.36 percentage points; the average cost rate of interest-bearing liabilities amounted to 2.02%, representing a year-on-year decrease of 0.1 percentage points; the net interest spread amounted to 1.62%, representing a year-on-year decrease of 0.27 percentage points; and the net interest margin amounted to 1.67%, representing a year-on-year decrease of 0.25 percentage points.

During the Reporting Period, the average yield on the Group's interest-earning assets decreased compared with the previous year, due to: first, loan interest rate being affected by factors such as multiple decline in LPR and the initiative to introduce a number of preferential interest rate policies in response to policies ; second, the maturity or sale of high-yield financial investment assets allocated in the previous period, and the decline in the yield on newly invested assets caused by the downward movement of interest rate in the financial investment market.

During the Reporting Period, the average cost ratio of interest-bearing liabilities of the Group decreased compared with the previous year, due to: first, the Group's implementation of deposit cost control measures with effectiveness, resulting in a decrease in deposit cost rate; second, the decline in market interest rate of interbank liabilities leading to a decrease in the cost ratio of interbank liabilities.

The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the average yield on the related assets or average cost ratio on the related liabilities for the periods indicated:

(unit: RMB'000)

	For the year ended 31 December					
	2023			2022		
Item	Average balance	Interest income/ expense	Average yield/cost ratio[1] (%)	Average balance	Interest income/ expense	Average yield/cost ratio[1] (%)
Interest-earning assets						
Loans and advances to customers	349,249,780	15,869,946	4.54	316,503,816	16,079,018	5.08
Financial investments[2]	225,367,539	6,265,738	2.78	190,095,109	5,797,084	3.05
Deposits with Central Bank	31,156,924	438,891	1.41	30,746,316	441,450	1.44
Financial assets held under resale agreements, deposits and placements with banks and other financial institutions	28,436,890	507,978	1.79	31,820,198	462,639	1.45
Total	634,211,133	23,082,553	3.64	569,165,439	22,780,191	4.00
Interest-bearing liabilities						
Deposits from customers	471,281,642	9,011,957	1.91	426,749,223	8,627,010	2.02
Bonds issued	74,804,071	1,900,766	2.54	60,014,706	1,625,905	2.71
Borrowings from Central Bank	27,725,372	693,920	2.50	18,773,628	483,765	2.58
Financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions	44,361,453	884,993	1.99	53,712,928	1,092,150	2.03
Leasing liability	485,363	18,608	3.83	457,598	18,086	3.95
Total	618,657,901	12,510,244	2.02	559,708,083	11,846,916	2.12
Net interest income		10,572,309			10,933,275	
Net interest spread[3]			1.62			1.89
Net interest margin[4]			1.67			1.92

Notes:

(1) Calculated by dividing interest income/expense by the average balance.
(2) Mainly including the financial investments at amortized cost and financial investments at fair value through other comprehensive income.
(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost ratio of total interest-bearing liabilities.
(4) Calculated by dividing the net interest income by the average balance of total interest-earning assets.

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

(unit: RMB'000)

Item	For the year ended 31 December 2023 VS 2022		
	Increase/(decrease) due to the changes in		Net increase/ (decrease)[3]
	Volume[1]	Interest rate[2]	
Interest-earning assets			
Loans and advances to customers	**1,663,560**	**(1,872,632)**	(209,072)
Financial investments[4]	**1,075,658**	**(607,004)**	468,654
Balances with Central Bank[5]	**5,895**	**(8,454)**	(2,559)
Financial assets held under resale agreements, deposits and placements with banks and other financial institutions	**(49,190)**	**94,529**	45,339
Changes in interest income	**2,695,923**	**(2,393,561)**	302,362
Interest-bearing liabilities			
Deposits from customers	**900,251**	**(515,304)**	384,947
Bonds issued[6]	**400,670**	**(125,809)**	274,861
Borrowings from Central Bank	**230,671**	**(20,516)**	210,155
Financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions	**(190,144)**	**(17,013)**	(207,157)
Leasing liability	**1,097**	**(575)**	522
Changes in interest expense	**1,342,545**	**(679,217)**	663,328
Changes in net interest income	**1,353,378**	**(1,714,344)**	(360,966)

Notes:

(1) Represents the average balance of this year less the average balance of the previous year, multiplied by the average yield/cost ratio of the previous year.

(2) Represents the average yield/cost ratio for this year less the average yield/cost ratio for the previous year, multiplied by the average balance for this year.

(3) Represents interest income/expense for this year less interest income/expense for the previous year.

(4) Mainly including the interest-earning financial investments at amortized cost and financial investments at fair value through other comprehensive income.

(5) Mainly including the statutory deposit reserves and excess deposit reserves.

(6) Mainly including the interbank certificates of deposit, tier-two capital bonds, green financial bonds, specialized financial bonds for agriculture, rural areas and farmers, fixed rate financial bonds and financial bonds for small and micro enterprise.

(2) Interest income

During the Reporting Period, the interest income was RMB23.083 billion, representing a year-on-year increase of RMB0.302 billion or 1.33%. The following table sets forth the composition, percentage and average yield of the Group's interest income for the periods indicated:

(unit: RMB'000)

	For the year ended 31 December					
	2023			2022		
Item	**Amount**	**Percentage of total (%)**	**Average yield (%)**	Amount	Percentage of total (%)	Average yield (%)
Loans and advances to customers	**15,869,946**	**68.75**	**4.54**	16,079,018	70.58	5.08
Financial investments	**6,265,738**	**27.15**	**2.78**	5,797,084	25.45	3.05
Deposits with Central Bank	**438,891**	**1.90**	**1.41**	441,450	1.94	1.44
Financial assets held under resale agreements, deposits and placements with banks and other financial institutions	**507,978**	**2.20**	**1.79**	462,639	2.03	1.45
Total interest income	**23,082,553**	**100.00**	**3.64**	22,780,191	100.00	4.00

(i) Interest income from loans and advances to customers

The interest income from loans and advances to customers accounted for 68.75% and 70.58% of total interest income for the years ended 31 December 2023 and 2022, respectively. The following table sets forth the average balances, interest income and average yields on each component of the Group's loans and advances to customers for the periods indicated:

(unit: RMB'000)

	For the year ended 31 December					
	2023			2022		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans and advances	**199,189,828**	**9,772,496**	**4.91**	179,785,455	9,787,905	5.44
Personal loans and advances	**118,570,512**	**5,619,396**	**4.74**	109,936,529	5,781,193	5.26
Discounted bills	**31,489,440**	**478,054**	**1.52**	26,781,832	509,920	1.90
Total	**349,249,780**	**15,869,946**	**4.54**	316,503,816	16,079,018	5.08

During the Reporting Period, the interest income from loans and advances to customers amounted to RMB15.870 billion, representing a decrease of RMB0.209 billion, or 1.30%, over the corresponding period of the previous year. The decrease in interest income was mainly due to the effect of the decrease in loan yields outweighs the effect of the increase in scale.

(ii) Interest income from financial investments

The interest income from financial investments accounted for 27.15% and 25.45% of total interest income for the years ended 31 December 2023 and 2022, respectively. The majority of interest income from financial investments was derived from interest income of bond investment.

During the Reporting Period, the Group achieved interest income from financial investments of RMB6.266 billion, representing an increase of RMB0.469 billion, or 8.08%, over the corresponding period of the previous year, which was mainly attributable to the growth of investment scale. The average balance of financial investments increased by RMB35.272 billion compared with the same period last year, mainly due to the increase in the scale of deposits, which led to the increase in the size of financial investments at market timing.

(iii) Interest income from financial assets held under resale agreements, deposits and placements with banks and other financial institutions

The average balance, interest income and average yield of each component of the Group's financial assets held under resale agreements, deposits and placements with banks and other financial institutions are set out below:

(unit: RMB'000)

	For the year ended 31 December					
	2023			2022		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Financial assets held under resale agreements	**15,130,180**	**270,127**	**1.79**	17,926,760	296,628	1.65
Deposits and placements with banks and other financial institutions	**13,306,710**	**237,851**	**1.79**	13,893,438	166,011	1.19
Total	**28,436,890**	**507,978**	**1.79**	31,820,198	462,639	1.45

During the Reporting Period, the interest income from financial assets held under resale agreements, deposits and placements with banks and other financial institutions amounted to RMB0.508 billion, representing an increase of RMB0.045 billion, or 9.80%, over the corresponding period of the previous year, due to: first, the increase in the size of financial investment resulting in a corresponding decrease in the investment scale of financial assets held under resale agreements, leading to a decrease in its scale; second, the increase in market interest rate on financial assets held under resale agreements and deposits and placements with banks and other financial institutions compared with the same period of last year, and the effect of an overall increase in average yields outweighs the effect of a reduction in scale.

(3) Interest expense

During the Reporting Period, the Group's interest expense amounted to RMB12.51 billion, representing a year-on-year increase of RMB0.663 billion, or 5.6%. The following table sets forth the composition, percentage and average cost ratio of the Group's interest expense for the periods indicated:

(unit: RMB'000)

	For the year ended 31 December					
	2023			2022		
Item	**Amount**	**Percentage of total (%)**	**Average cost rate (%)**	Amount	Percentage of total (%)	Average cost rate (%)
Deposits from customers	**9,011,957**	**72.04**	**1.91**	8,627,010	72.82	2.02
Bonds issued	**1,900,766**	**15.19**	**2.54**	1,625,905	13.72	2.71
Borrowings from Central Bank	**693,920**	**5.55**	**2.50**	483,765	4.08	2.58
Financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions	**884,993**	**7.07**	**1.99**	1,092,150	9.22	2.03
Leasing liabilities	**18,608**	**0.15**	**3.83**	18,086	0.16	3.95
Total interest expense	**12,510,244**	**100.00**	**2.02**	11,846,916	100.00	2.12

(i) Interest expense on customer deposits

The interest expense on deposits from customers accounted for 72.04% and 72.82% of total interest expense for the years ended 31 December 2023 and 2022, respectively.

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

(unit: RMB'000)

	For the year ended 31 December					
	2023			2022		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	**92,432,828**	**799,651**	**0.87**	92,913,508	878,814	0.95
Time	**97,165,032**	**3,171,869**	**3.26**	82,838,738	2,962,948	3.58
Sub-total	**189,597,860**	**3,971,520**	**2.09**	175,752,246	3,841,762	2.19
Personal deposits						
Demand	**117,465,728**	**589,500**	**0.50**	111,952,507	595,476	0.53
Time	**164,218,054**	**4,450,937**	**2.71**	139,044,470	4,189,772	3.01
Sub-total	**281,683,782**	**5,040,437**	**1.79**	250,996,977	4,785,248	1.91
Total	**471,281,642**	**9,011,957**	**1.91**	426,749,223	8,627,010	2.02

During the Reporting Period, the Group's interest expense on customer deposits was RMB9.012 billion, representing an increase of RMB385 million or 4.46% year-on-year. The increase in interest expense on customer deposits was primarily due to the steady growth of deposits. On the other hand, the Bank's cost control measures on deposits have been effective, with the cost rate of deposits decreasing, therefore the impact of the increase in deposits was partially offset by the impact of the decrease in cost rate.

(ii) Interest expense on bonds issued

During the Reporting Period, the Group's interest expense on bonds issued was RMB1.901 billion, with a year-on-year increase of 16.91%, mainly due to the increase in interest expenses as a result of the increase in the issuance scale of the interbank certificates of deposit for the purpose of liquidity management.

(iii) Interest expense on borrowings from the Central Bank

During the Reporting Period, the Group's interest expense on borrowings from the Central Bank was RMB0.694 billion, with a year-on-year increase of RMB0.210 billion, or 43.44%, mainly due to the increase in interest expenses driven by the increase in the scale of MLF as a result of enhanced liability management.

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

The average balance, interest expense and average cost ratio of each component of the Group's financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions are set out below:

(unit: RMB'000)

	For the year ended 31 December					
	2023			2022		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Financial assets sold under repurchase agreements	**25,810,762**	**470,997**	**1.82**	24,518,334	412,259	1.68
Deposits and placements from banks and other financial institutions	**18,550,691**	**413,996**	**2.23**	29,194,594	679,891	2.33
Total	**44,361,453**	**884,993**	**1.99**	53,712,928	1,092,150	2.03

During the Reporting Period, the Group's interest expenses on amounts due to banks and other financial institutions amounted to RMB0.885 billion, with a year-on-year decrease of RMB0.207 billion, or 18.97%, which was mainly attributable to the increase in the scale of issuance of interbank certificates of deposits in lieu of some deposits from banks and other financial institutions, leading to a decrease in interest expenses as a result of the decrease in the scale of deposits from banks and other financial institutions.

2. *Net non-interest income*

During the Reporting Period, the Group's non-interest income amounted to RMB2.688 billion, representing a year-on-year increase of RMB0.385 billion, or 16.73%. The following table sets forth the composition and movements of the Group's non-interest income for the periods indicated:

(unit: RMB'000)

	For the year ended 31 December			
Item	**2023**	2022	**Amount of increase/ (decrease)**	**Increase/ (decrease) Percentage (%)**
Net fee and commission income	**712,777**	685,978	26,799	3.91
Net trading gains	**1,081,308**	1,293,856	(212,548)	(16.43)
Net gains on financial instruments	**707,489**	75,349	632,140	838.95
Other operating income	**186,279**	247,499	(61,220)	(24.74)
Total	**2,687,853**	2,302,682	385,171	16.73

(1) Net fee and commission income

During the Reporting Period, the Group's net fee and commission income amounted to RMB0.713 billion, with an increase of 3.91% year-on-year, mainly due to the increase in net fee and commission income as a result of the Group's expansion of bond underwriting and distribution business customers and the increase in business scale.

The following table sets forth the Group's net fee and commission income for the periods indicated:

(unit: RMB'000)

	For the year ended 31 December			
	2023		2022	
Item	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Fee income from settlement business	**72,067**	10.11	87,368	12.74
Bank card fee income	**216,764**	30.41	246,638	35.95
Fee income from custody and other fiduciary business	**341,938**	47.97	307,922	44.89
Income from wealth management business	**361,923**	50.78	298,181	43.47
Income from other businesses	**97,680**	13.70	81,409	11.87
Fee and commission income	**1,090,372**	152.97	1,021,518	148.92
Fee and commission expense	**(377,595)**	(52.97)	(335,540)	(48.92)
Net fee and commission income	**712,777**	100.00	685,978	100.00

(2) Net trading gains

During the Reporting Period, the Group's net trading gains amounted to RMB1.081 billion, representing a year-on-year decrease of RMB213 million, which was due to firstly the decrease in exchange gains on capital funds and the decrease of exchange gains resulting from a year-on-year decrease in the foreign exchange settlement and sales on behalf of customers and secondly the decrease in dividends paid by public funds.

(3) Net gains on financial instruments

During the Reporting Period, the Group's net gains on financial instruments amounted to RMB707 million, representing a year-on-year increase of RMB632 million, mainly because a loss of RMB1,061 million was recognized due to the Bank's participation in transactions related to the use of special bonds to supplement the capital of Puning RCB in the previous year, and a substantial decrease in the loss required to be recognized in the current year in relation to the updated assessment of the capital shortfalls arising from the aforesaid transaction.

(4) Other operating income

During the Reporting Period, other operating income of the Group amounted to RMB186 million, representing a year-on-year decrease of RMB61 million, mainly due to the decrease of the proportion of incentive funding support for the increase in the balance of inclusive small and micro loans.

3. *Operating expenses*

During the Reporting Period, the Group's operating expenses amounted to RMB4,820 million, representing a slower year-on-year increase of RMB72 million. The increase in operating expenses was mainly attributable to the continued increase in investment in science and technology to promote the integration of technology and business and to enhance the digital operating capability.

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

(unit: RMB'000)

Item	For the year ended 31 December 2023	For the year ended 31 December 2022	Amount of increase/ (decrease)	Increase/ (decrease) Percentage (%)
Staff costs	**3,023,311**	3,181,835	(158,524)	(4.98)
Taxes and surcharges	**139,701**	144,903	(5,202)	(3.59)
General and administrative expenses	**1,225,788**	986,028	239,760	24.32
Depreciation and amortization	**422,760**	423,121	(361)	(0.09)
Others	**8,578**	12,037	(3,459)	(28.74)
Total	**4,820,138**	4,747,924	72,214	1.52

(1) Staff costs

Staff costs are the largest component of the Group's operating expenses, accounting for 62.72% and 67.02% of operating expenses in 2023 and 2022, respectively.

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

(unit: RMB'000)

Item	For the year ended 31 December 2023	For the year ended 31 December 2022	Amount of increase/ (decrease)	Increase/ (decrease) Percentage (%)
Salaries, bonuses, allowances and subsidies	**2,247,985**	2,282,618	(34,633)	(1.52)
Pension and other social benefits	**558,822**	659,398	(100,576)	(15.25)
Enterprise annuity scheme	**168,180**	191,197	(23,017)	(12.04)
Others	**48,324**	48,622	(298)	(0.61)
Total	**3,023,311**	3,181,835	(158,524)	(4.98)

During the Reporting Period, the Group's staff costs amounted to RMB3.023 billion, representing a decrease of RMB0.159 billion, or 4.98% compared with the same period last year.

(2) Depreciation and amortization

During the Reporting Period, the Group's depreciation and amortization amounted to RMB0.423 billion, which remained basically unchanged year-on-year.

4. Expected credit losses

(unit: RMB'000)

Item	For the year ended 31 December 2023	2022	Amount of increase/ (decrease)	Increase/ (decrease) Percentage (%)
Loans and advances to customers	**3,452,868**	1,970,019	1,482,849	75.27
Financial investments	**(111,433)**	183,687	(295,120)	(160.66)
Loan commitments and guarantee contracts	**(7,850)**	58,485	(66,335)	(113.42)
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	**(1,776)**	(19,429)	17,653	(90.86)
Other assets	**(9,663)**	46,061	(55,724)	(120.98)
Total	**3,322,146**	2,238,823	1,083,323	48.39

(1) Loans and advances to customers

During the Reporting Period, the Group recorded a credit impairment loss of RMB3,453 million on loans and advances to customers, representing an increase of RMB1,483 million compared with the same period last year, mainly due to the continuous increase in provision and enhancement of asset risk resilience.

(2) Financial investments

During the Reporting Period, the Group recorded impairment loss of RMB0.111 billion on financial investments, representing a decrease of RMB0.295 billion compared with the same period last year, mainly because the Group continues to optimize the investment structure of financial assets, the proportion of low credit risk bonds continues to increase, and the existing non-performing financial assets are gradually reduced, resulting in a decrease in the credit impairment loss to be accrued.

5. *Income tax expenses*

During the Reporting Period, the Group's income tax expenses amounted to RMB-0.176 billion, with a decrease of RMB0.378 billion compared with the same period last year. The effective income tax rate was -3.41%, with a decrease of 6.61 percentage points compared with the same period last year, mainly due to the scale of tax-free income exceeding pre-tax profit.

(unit: RMB'000)

Item	For the year ended 31 December 2023	For the year ended 31 December 2022	Amount of increase/ (decrease)	Increase/ (decrease) Percentage (%)
Current income tax expense	**562,723**	866,519	(303,796)	(35.06)
Deferred income tax expense	**(738,803)**	(664,982)	(73,821)	11.10
Total	**(176,080)**	201,537	(377,617)	(187.37)

(II) Balance Sheet Analysis

1. *Assets*

As of the end of the Reporting Period, the Group's total assets amounted to RMB708.854 billion, representing an increase of RMB51.164 billion, or 7.78%, as compared with the end of the previous year, which was mainly because the steady growth of loans and financial investment led to the growth of asset scale.

The following table sets forth the balances of the major components of the Group's total assets as at the dates indicated:

(unit: RMB'000)

	As at 31 December 2023		As at 31 December 2022	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Net loans and advances to customers	**342,511,915**	**48.32**	321,748,124	48.92
Cash and balances with Central Bank	**36,935,315**	**5.21**	40,024,836	6.09
Financial investments[1]	**301,218,535**	**42.49**	269,777,909	41.02
Financial assets held under resale agreements, deposits and placements with banks and other financial institutions	**17,566,453**	**2.48**	15,515,079	2.36
Investment in associates	**633,467**	**0.09**	480,421	0.07
Goodwill	**520,521**	**0.07**	520,521	0.08
Property and equipment	**2,307,417**	**0.33**	2,475,704	0.38
Right-of-use assets	**992,821**	**0.14**	934,118	0.14
Deferred tax assets	**4,710,374**	**0.66**	4,059,547	0.62
Others[2]	**1,456,774**	**0.21**	2,153,713	0.32
Total assets	**708,853,592**	**100.00**	657,689,972	100.00

Notes:

(1) Financial investments include bonds, funds, beneficial interests in credit assets and unlisted equity investments.
(2) Including derivative financial assets, prepayments to suppliers, long-term deferred expenses, foreclosed assets, research and development expenses, clearing and settlement, and precious metals, etc.

(1) Loans and advances to customers

As of the end of the Reporting Period, the Group's net loans and advances to customers amounted to RMB342.512 billion, representing an increase of RMB20.764 billion, or 6.45%, as compared with the end of last year.

(unit: RMB'000)

Item	As at 31 December 2023	As at 31 December 2022	Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
Total loans and advances to customers	**355,073,342**	331,997,701	23,075,641	6.95
Add: accrued interest	**730,437**	670,422	60,015	8.95
Less: provision for expected credit loss[1]	**13,291,864**	10,919,999	2,371,865	21.72
Net loans and advances to customers	**342,511,915**	321,748,124	20,763,791	6.45

Note:

(1) Excluding the provision for impairment of bills rediscounted and forfaiting, which are 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 loans and advances to customers of the Group, please refer to the section "Loan Quality Analysis" in this chapter of the Report.

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

As of the end of the Reporting Period, the Group's financial assets held under resale agreements, deposits and placements with banks and other financial institutions amounted to RMB17.566 billion, with an increase of 13.22% over the end of last year, which is mainly due to the increase in the placements with domestic banks and other financial institutions as required by liquidity management.

Details of the Group's financial assets held under resale agreements, deposits and placements with banks and other financial institutions are set out below:

(unit: RMB'000)

Item	As at 31 December 2023 Amount	As at 31 December 2023 Percentage of total (%)	As at 31 December 2022 Amount	As at 31 December 2022 Percentage of total (%)
Deposits with domestic banks and other financial institutions	**4,169,735**	**23.70**	5,759,262	37.04
Deposits with overseas banks and other financial institutions	**1,235,082**	**7.02**	658,713	4.24
Placements with domestic banks and other financial institutions	**10,850,000**	**61.66**	6,738,230	43.34
Bonds held under resale agreements	**1,340,450**	**7.62**	2,390,500	15.38
Sub-total	**17,595,267**	**100.00**	15,546,705	100.00
Add: accrued interest	**19,859**		18,819	
Less: Impairment provision	**48,673**		50,445	
Total	**17,566,453**		15,515,079	

(3) Financial investments

As of the end of the Reporting Period, the Group's financial investments mainly consisted of bonds, beneficiary rights of credit assets, funds and unlisted equity investments, etc. The total financial investments of the Group amounted to RMB301.219 billion, representing an increase of RMB31.441 billion, or 11.65% compared with the end of the previous year.

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

(unit: RMB'000)

Item	As at 31 December 2023 Amount	As at 31 December 2023 Percentage of total (%)	As at 31 December 2022 Amount	As at 31 December 2022 Percentage of total (%)
Financial investments at fair value through profit and loss	**52,836,715**	**17.54**	52,182,664	19.34
Financial Investment at amortized cost	**137,226,078**	**45.56**	124,352,911	46.09
Financial assets at fair value through other comprehensive income	**111,155,742**	**36.90**	93,242,334	34.57
Total	**301,218,535**	**100.00**	269,777,909	100.00

Among them, the distribution of the types and amounts of bonds held by the Group as of the end of the Reporting Period was as follows:

(unit: RMB'000)

Item	As at 31 December 2023 Amount	As at 31 December 2023 Percentage of total (%)	As at 31 December 2022 Amount	As at 31 December 2022 Percentage of total (%)
Debt securities issued by the central and local governments	**214,220,194**	**79.62**	166,323,926	69.12
Debt securities issued by financial institutions	**51,275,690**	**19.06**	64,268,087	26.71
Debt securities issued by enterprises	**1,460,959**	**0.54**	4,375,484	1.82
Interbank certificates of deposits	**2,083,534**	**0.78**	5,661,879	2.35
Total	**269,040,377**	**100.00**	240,629,376	100.00

Among them, the top ten largest financial bonds held by the Group are as follows:

(Unit: RMB'000)

Name of bonds	Issuer	Nominal value	Coupon rate (%)	Maturity date
19 CDB bond 10	China Development Bank	2,630,000	3.65	2029-05-21
22 ADBC bond issued at SCH (Shanghai Clearing House)04	Agricultural Development Bank of China	1,450,000	2.83	2029-08-11
22 EIBC bond 10	The Export-Import Bank of China	1,420,000	3.18	2032-03-11
22 ADBC bond issued at SCH 02	Agricultural Development Bank of China	1,170,000	2.91	2029-02-21
18 CDB bond 10	China Development Bank	1,130,000	4.04	2028-07-06
21 ADBC bond issued at SCH 01	Agricultural Development Bank of China	990,000	3.48	2028-02-04
18 CDB bond 05	China Development Bank	950,000	4.88	2028-02-09
22 BOCD green bond	Bank of Chengdu Co., Ltd.	890,000	2.95	2025-03-14
20 ADBC bond 04	Agricultural Development Bank of China	840,000	2.96	2030-04-17
22 CDB bond 10	China Development Bank	800,000	2.98	2032-04-22

2. *Liabilities*

As of the end of the Reporting Period, the Group's total liabilities amounted to RMB651.365 billion, representing an increase of RMB47.495 billion or 7.87% as compared to the end of the previous year, which was mainly attributable to the growth in the scale of liabilities driven by the growth in deposits from customers and borrowings from the Central Bank.

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

(unit: RMB'000)

	As at 31 December 2023		As at 31 December 2022	
Item	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Deposits from customers	**495,743,888**	**76.11**	465,688,801	77.12
Debt securities issued	**71,831,971**	**11.03**	64,053,467	10.61
Borrowings from Central Bank	**38,479,208**	**5.91**	23,351,892	3.87
Financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions	**39,403,137**	**6.05**	44,404,451	7.35
Leasing liability	**514,609**	**0.08**	456,116	0.08
Financial liabilities at fair value through profit or loss	**1,325,544**	**0.20**	1,809,212	0.30
Taxes payable	**304,574**	**0.05**	457,304	0.08
Other liabilities[(1)]	**3,762,124**	**0.57**	3,648,800	0.59
Total liabilities	**651,365,055**	**100.00**	603,870,043	100.00

Note:

(1) Mainly including derivative financial liabilities, employee benefits payable, purchases payable and accrued expenses.

(1) Deposits from customers

The following table sets forth the Group's deposits from customers by product categories as at the dates indicated:

(unit: RMB'000)

Item	As at 31 December 2023		As at 31 December 2022	
	Amount	**Percentage of total (%)**	Amount	Percentage of total (%)
Corporate deposits				
— Demand	**91,495,874**	**18.78**	101,798,785	22.17
— Time	**95,239,526**	**19.55**	79,565,638	17.33
Sub-total	**186,735,400**	**38.33**	181,364,423	39.50
Personal deposits				
— Demand	**117,515,687**	**24.13**	122,182,086	26.61
— Time	**173,408,108**	**35.60**	147,879,965	32.21
Sub-total	**290,923,795**	**59.73**	270,062,051	58.82
Other deposits[(1)]	**9,435,764**	**1.94**	7,736,080	1.68
Principal of customer deposits in total	**487,094,959**	**100.00**	459,162,554	100.00
Add: accrued interest	**8,648,929**	**—**	6,526,247	—
Total deposits from customers	**495,743,888**	**—**	465,688,801	—

Note:

(1) Including remittance outstanding, margin deposit and national treasury fixed deposits.

As of the end of the Reporting Period, in terms of the Group's customer deposits structure, personal deposits accounted for 59.73%, of which the balance of deposits increased by RMB20.862 billion from the end of the previous year, representing an increase of 7.72%; corporate deposits accounted for 38.33%, of which the balance of deposits increased by RMB5.371 billion from the end of the previous year, representing an increase of 2.96%. In terms of term structure, demand deposits accounted for 42.91%, with a decrease of 5.87 percentage points from the end of last year, while time deposits accounted for 55.15%, with an increase of 5.61 percentage points from the end of last year.

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

As of the end of the Reporting Period, the Group's financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions amounted to RMB39.403 billion, representing a decrease of 11.26% over the end of last year, which was mainly attributable to the reduction in business as required by liquidity management.

The following table sets forth the details of the Group's financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions as at the period and dates indicated:

(unit: RMB'000)

Item	As at 31 December 2023 Amount	As at 31 December 2023 Percentage of total (%)	As at 31 December 2022 Amount	As at 31 December 2022 Percentage of total (%)
Deposits from domestic banks	**7,108,980**	**18.04**	7,009,437	15.79
Deposits from non-banking domestic financial institutions	**3,417,771**	**8.67**	5,881,907	13.25
Placements from domestic banks	**3,842,859**	**9.75**	2,000,000	4.50
Bonds sold under repurchase agreements	**20,939,027**	**53.14**	22,592,631	50.88
Notes sold under repurchase agreements	**4,009,932**	**10.18**	6,828,782	15.38
Sub-total	**39,318,569**	**99.78**	44,312,757	99.80
Add: accrued interest	**84,568**	**0.22**	91,694	0.20
Total	**39,403,137**	**100.00**	44,404,451	100.00

3. *Shareholders' equity*

As of the end of the Reporting Period, the Group's total shareholders' equity amounted to RMB57.489 billion, representing an increase of RMB3.669 billion, or 6.82%, as compared with the end of the previous year, which was mainly attributable to the increase in undistributed profit.

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

(Unit: RMB'000)

Item	As at 31 December 2023 Amount	As at 31 December 2023 Percentage of total (%)	As at 31 December 2022 Amount	As at 31 December 2022 Percentage of total (%)
Share capital	**6,888,546**	**11.98**	6,888,546	12.80
Capital reserve	**6,342,779**	**11.03**	6,230,429	11.58
Surplus reserve	**8,829,850**	**15.36**	8,323,435	15.47
General reserve	**7,422,108**	**12.91**	6,915,566	12.85
Revaluation reserve	**850,285**	**1.48**	604,567	1.12
Undistributed profit	**24,315,819**	**42.30**	22,165,171	41.18
Total equity attributable to shareholders of the Bank	**54,649,387**	**95.06**	51,127,714	95.00
Non-controlling interests	**2,839,150**	**4.94**	2,692,215	5.00
Total shareholders' equity	**57,488,537**	**100.00**	53,819,929	100.00

As of the end of the Reporting Period, the Group had a paid-in capital of RMB6.889 billion, capital reserve of RMB6.343 billion and undistributed profit of RMB24.316 billion.

4. Restrictions on rights to assets as of the end of the Reporting Period

As of the end of the Reporting Period, some of the Group's assets were used as collateral for financial asset sold under repurchase agreements and business of borrowings from the Central Bank. For details of the assets as collateral, please refer to Notes 40(e) "collateral" to the Consolidated Financial Statements in the "Financial Report" chapter of this Report. The fair value of assets as collateral as at the end of the Reporting Period is broken down as follows:

(unit: RMB'000)

Item	As at 31 December 2023	Reason for restriction
Bonds	**22,847,625**	Repurchase business
Bills	**4,005,823**	Repurchase business
Bonds	**46,004,301**	Borrowing from the Central Bank
Loans	**105,720**	Borrowing from the Central Bank
Bills	**300,087**	Borrowing from the Central Bank
Total	**73,263,556**	

(III) Cash Flow Statement Analysis

During the Reporting Period, the Group's net cash inflow from operating activities amounted to RMB15,821 million, representing a decrease of RMB13,407 million as compared with the same period last year, mainly attributable to the decrease in cash inflow as a result of the decrease in the net increase in deposits from customers; a net cash outflow used in investing activities amounted to RMB22,796 million, representing an increase of RMB2,768 million as compared with the same period last year, mainly due to the increase in cash paid for financial investments exceeding the increase in growth of cash generated from financial investments; a net cash inflow from financing activities amounted to RMB3,682 million, as compared with net cash outflow of RMB7,699 million for the same period last year, mainly due to the increase in cash received from the issuance of debt securities exceeding the increase in cash paid for the repayment of the issuance of debt securities.

(unit: RMB'000)

Item	For the year ended 31 December		Amount of increase/ (decrease)	Increase/ decrease Percentage (%)
	2023	2022		
Net cash flow generated from/ (used in) operating activities	**15,820,983**	29,227,516	(13,406,533)	(45.87)
Net cash flow generated from/ (used in) investing activities	**(22,795,537)**	(20,027,661)	(2,767,876)	13.82
Net cash flow generated from/ (used in) financing activities	**3,682,190**	(7,699,424)	11,381,614	(147.82)

(iv) Loan quality analysis

During the Reporting Period, the international political and economic situation was turbulent due to factors such as the ongoing Russia-Ukraine war, the outbreak of the Israeli-Palestinian conflict and the trade dispute of China-US decoupling. At the same time, domestic demand was insufficient, and the underlying issue of sluggish prospects persisted. The real estate sector and exports continued to hamper the recovery process, resulting in a slower economic revival and an increased operational risk for businesses. In strict compliance with regulatory requirements, the Group prudently assessed asset quality, intensified risk identification efforts, proactively managed loans at risk, and tailored targeted risk mitigation plans on a "one case, one policy" basis to prevent the migration of non-performing assets. In addition, we have escalated efforts in the collection of non-performing assets, progressing disposal processes through market-oriented means, such as accelerating debt transfers and asset restructuring, and collateral auctions. As of the end of the Reporting Period, the Group's non-performing loans amounted to RMB4.300 billion, representing an increase of RMB1.429 billion, as compared with the end of last year, and the non-performing loan ratio was 1.23%.

1. Loan distribution by five-tier loan classification

(unit: RMB'000)

	As at 31 December 2023		As at 31 December 2022	
Item	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Normal	**342,827,012**	**96.55**	324,632,095	97.79
Special mention	**7,946,522**	**2.24**	4,494,969	1.35
Substandard	**2,596,807**	**0.73**	711,789	0.21
Doubtful	**1,201,848**	**0.34**	2,006,939	0.60
Loss	**501,153**	**0.14**	151,909	0.05
Total loans to customers	**355,073,342**	**100.00**	331,997,701	100.00
Non-performing loans and Non-performing loan ratio[1]	**4,299,808**	**1.23**	2,870,637	0.90

Note:

(1) Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the total loans (excluding accrued interest). For the purpose of calculating the non-performing loan ratio, the non-performing loan ratios of Zhanjiang Rural Commercial Bank and Chaoyang Rural Commercial Bank, the subsidiaries, were calculated based on the original carrying value of the loans instead of the fair value as of the consolidated balance sheet date.

As of the end of the Reporting Period, the Group's normal loans amounted to RMB342.827 billion, accounting for 96.55% of all loans, representing an increase of RMB18.195 billion as compared to the end of the previous year, which was mainly due to normal business growth; Loans of special mention amounted to RMB7.947 billion, representing an increase of RMB3.452 billion as compared to the end of the previous year, mainly due to adverse changes in the operating conditions of enterprises under the impact of the downturn in the economic environment and the emergence of risk factors requiring greater attention from individual loan customers.

As of the end of the Reporting Period, the balance of the Group's non-performing loan was RMB4.300 billion, with an increase of RMB1.429 billion, as compared with the end of last year, mainly due to the rising economic downturn pressure, leading to the formation of non-performing loans in corporate working capital loans, personal business and consumption loans, and overdue interest on credit card overdrafts. Among them, non-performing loans for corporate working capital increased by RMB1,342 million as compared to the end of last year, and non-performing loans for personal business increased by RMB205 million as compared to the end of last year.

The Group calculated the loan migration rate in accordance with the Notice of CBIRC for Amendments to the Definition and Calculation Formula of Off-site Regulation Basic Indicators of the Banking Industry (Yin Bao Jian Fa [2022] No. 2). As of the end of the Reporting Period, the migration rate of the Group's normal loans was 2.19%; the migration rate of loans of special mention was 17.82%; the migration rate of substandard loans was 69.07%; and the migration rate of doubtful loans was 13.10%.

2. *Loans and non-performing loans by product type*

(unit: RMB'000)

Item	As at 31 December 2023 Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio(1) (%)	As at 31 December 2022 Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio(1) (%)
Corporate loans(2)								
Working capital loans	**80,367,985**	**22.63**	**2,318,927**	**2.99**	76,595,554	23.07	976,565	1.43
Fixed asset loans	**113,973,806**	**32.10**	**84,245**	**0.07**	107,090,426	32.26	356,985	0.33
Others	**9,507,986**	**2.67**	**10,895**	**0.11**	5,121,987	1.54	50,202	0.98
Sub-total	**203,849,777**	**57.40**	**2,414,067**	**1.23**	188,807,967	56.87	1,383,752	0.79
Personal loans								
Personal business loans	**44,272,043**	**12.47**	**713,380**	**1.61**	38,675,434	11.65	508,538	1.32
Property mortgages	**38,863,183**	**10.95**	**490,793**	**1.27**	38,939,465	11.73	519,264	1.34
Credit card overdrafts	**4,921,478**	**1.39**	**205,508**	**4.18**	6,760,399	2.04	152,117	2.25
Personal consumption loans	**35,337,953**	**9.95**	**476,060**	**1.35**	30,053,733	9.05	306,966	1.02
Sub-total	**123,394,657**	**34.76**	**1,885,741**	**1.53**	114,429,031	34.47	1,486,885	1.30
Discounted bills(3)								
Bank acceptance bills	**27,828,908**	**7.84**	**—**	**—**	28,760,703	8.66	—	—
Trade acceptance draft	**—**	**—**	**—**	**—**	—	—	—	—
Sub-total	**27,828,908**	**7.84**	**—**	**—**	28,760,703	8.66	—	—
Total	**355,073,342**	**100.00**	**4,299,808**	**1.23**	331,997,701	100.00	2,870,637	0.90

Notes:

(1) Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the total loans (excluding accrued interest). For the purpose of calculating the non-performing loan ratio, the non-performing loan ratios of Zhanjiang Rural Commercial Bank and Chaoyang Rural Commercial Bank, the subsidiaries, were calculated based on the original book value of the loans instead of the fair value as of the consolidated balance sheet date.

(2) The corporate loans included forfeiting.

(3) Mainly including bill discounted and rediscounted.

As of the end of the Reporting Period, the non-performing loan ratio of corporate loans (excluding discounted bills) was 1.23%, representing an increase of 0.44 percentage points as compared with the end of the previous year, while the non-performing loan ratio of personal loans was 1.53%, representing an increase of 0.23 percentage points as compared with the end of the previous year. The main reason was the negative impact of the economic environment, resulting in poor business conditions for enterprises, reduction of personal and household income, which increased credit risk exposure for borrowers, leading to a rise in non-performing loans.

3. Loans and non-performing loans by industry

(unit: RMB'000)

Industry distribution[1]	As at 31 December 2023 Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio[2] (%)	As at 31 December 2022 Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio[2] (%)
Corporate loans and advances	**203,849,777**	**57.40**	**2,414,067**	**1.23**	188,807,967	56.87	1,383,752	0.79
Wholesale and retail	**34,661,797**	**9.76**	**1,068,687**	**3.08**	34,040,491	10.26	571,444	1.68
Leasing and commercial services	**35,587,754**	**10.02**	**93,565**	**0.42**	36,083,880	10.87	186,933	0.67
Manufacturing	**55,940,714**	**15.75**	**1,176,621**	**2.15**	45,816,489	13.80	240,622	0.66
Construction	**23,573,369**	**6.64**	**1,434**	**0.01**	24,374,877	7.34	135,113	0.55
Real estate	**19,681,277**	**5.54**	**66**	**0.00**	16,165,084	4.87	—	—
Finance	**5,406,191**	**1.52**	**—**	**—**	5,579,271	1.68	—	—
Production and supply of power, gas and water	**6,992,548**	**1.97**	**—**	**—**	6,287,897	1.89	2,390	0.04
Transportation, logistics and postal services	**5,262,213**	**1.48**	**—**	**—**	4,610,215	1.39	5,043	0.11
Water, environment and public utilities management	**3,179,212**	**0.9**	**42,024**	**1.32**	3,043,119	0.92	224,100	7.36
Health, social security and welfare	**2,528,785**	**0.71**	**—**	**—**	2,294,669	0.69	—	—
Education	**3,267,422**	**0.92**	**4,187**	**0.13**	3,921,894	1.18	—	—
Information transmission, software and information technology services	**1,016,757**	**0.29**	**3,495**	**0.34**	937,076	0.28	—	—
Accommodations and catering industries	**3,097,382**	**0.87**	**—**	**—**	2,540,995	0.77	—	—
Agriculture, forestry, animal husbandry and fishery	**1,833,173**	**0.52**	**15,742**	**0.86**	2,002,141	0.60	18,107	0.90
Residential services and other services	**491,097**	**0.14**	**7,210**	**1.46**	227,719	0.07	—	—
Culture, sports, and entertainment	**141,280**	**0.04**	**—**	**—**	114,998	0.03	—	—
Scientific research and technical services, and geological prospecting	**1,188,806**	**0.33**	**1,036**	**0.09**	759,252	0.23	—	—
Mining	**—**	**—**	**—**	**—**	7,900	0.00	—	—
Public management and social organizations	**—**	**—**	**—**	**—**	—	—	—	—
Discounted bills	**27,828,908**	**7.84**	**—**	**—**	28,760,703	8.66	—	—
Personal loans	**123,394,657**	**34.76**	**1,885,741**	**1.53**	114,429,031	34.47	1,486,885	1.30
Total	**355,073,342**	**100.00**	**4,299,808**	**1.23**	331,997,701	100.00	2,870,637	0.90

Notes:

(1) Industry classification according to the Classification of National Economic Industries issued by the Standardization Administration of China on 30 June, 2017.

(2) Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the total loans (excluding accrued interest). For the purpose of calculating the non-performing loan ratio, the non-performing loan ratios of Zhanjiang Rural Commercial Bank and Chaoyang Rural Commercial Bank, the subsidiaries, were calculated based on the original book value of the loans instead of the fair value as of the consolidated balance sheet date.

As of the end of the Reporting Period, non-performing loans of the Group's corporate loans were mainly concentrated in manufacturing industry and wholesale and retail industry, with non-performing loan ratios of 2.15% and 3.08% respectively. Among them, non-performing loans in the manufacturing industry amounted to RMB1,177 million, representing an increase of RMB936 million as compared to the end of last year, while non-performing loans in the wholesale and retail industry amounted to RMB1,069 million, representing an increase of RMB497 million as compared to the end of last year. The main reason was that the difficulties in the production and operation of enterprises have led to the inability to repay principal and interest on time, resulting in non-performing loans.

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

(unit: RMB'000)

	As at 31 December 2023				As at 31 December 2022			
Guarantee method	**Amount**	**Percentage of total (%)**	**NPL amount**	**Non-performing loan ratio (%)**	Amount	Percentage of total (%)	NPL amount	Non-performing loan ratio (%)
Collateralized loans	**183,143,329**	**51.58**	**2,853,774**	**1.59**	170,426,153	51.33	1,369,837	0.83
Pledged loans	**40,106,761**	**11.30**	**25,715**	**0.06**	41,939,301	12.63	485,818	1.16
Guaranteed loans	**94,098,085**	**26.50**	**688,771**	**0.76**	84,448,418	25.44	416,864	0.53
Unsecured loans	**37,725,167**	**10.62**	**731,548**	**1.94**	35,183,829	10.60	598,118	2.02
Total	**355,073,342**	**100.00**	**4,299,808**	**1.23**	331,997,701	100.00	2,870,637	0.90

5. *Distribution of loans by region*

(Unit: RMB'000)

	As at 31 December 2023		As at 31 December 2022	
Regional distribution	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Dongguan	**283,906,297**	**79.96**	264,363,531	79.63
Outside Dongguan	**71,167,045**	**20.04**	67,634,170	20.37
Total	**355,073,342**	**100.00**	331,997,701	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 initially established a development pattern centered on Dongguan and mainly focusing on the Guangdong-Hong Kong-Macao Greater Bay Area. Most of the loans were distributed in Dongguan, with coordinated development in various regions, where loan balance in Dongguan was RMB283,906 million, and loan balance outside Dongguan was RMB71,167 million, with the regional distribution ratio remaining basically unchanged as compared with that at the end of the last year.

6. *Loans to top ten single borrowers*

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

(unit: RMB'000)

		As at 31 December 2023		
Borrower	**Industry**	**Balance of loans**	**Percentage of total loans (%)**	**Percentage of net capital (%)**
Customer A	Leasing and commercial services	**2,954,000**	**0.83**	**4.60**
Customer B	Construction	**1,808,129**	**0.51**	**2.82**
Customer C	Real estate	**1,800,000**	**0.51**	**2.81**
Customer D	Leasing and commercial services	**1,721,500**	**0.48**	**2.68**
Customer E	Leasing and commercial services	**1,300,000**	**0.37**	**2.03**
Customer F	Water, environment and public utilities management	**1,149,260**	**0.32**	**1.79**
Customer G	Real estate	**1,105,000**	**0.31**	**1.72**
Customer H	Manufacturing	**1,097,000**	**0.31**	**1.71**
Customer I	Real estate	**1,080,050**	**0.30**	**1.68**
Customer J	Leasing and commercial services	**1,032,895**	**0.29**	**1.61**
Total		**15,047,834**	**4.24**	**23.46**

As of the end of the Reporting Period, the total loans to the Group's largest single borrower amounted to RMB2.954 billion, which accounted for 4.60% of the Group's net capital. Total loans to the top ten single borrowers amounted to RMB15.048 billion, accounting for 23.46% of the Group's net capital and 4.24% of the Group's total loans.

The following table sets forth the Group's concentration indicators for the periods indicated:

Concentration indicators	**As at 31 December 2023**	As at 31 December 2022	Regulatory Requirements
Loans to single largest borrower as a percentage of net capital	**4.60%**	4.92%	10%
Credits granted to single group customer as a percentage of net capital	**7.55%**	8.16%	15%
Loans to top ten customers as a percentage of net capital	**23.46%**	23.37%	—

As of the end of the Reporting Period, the balance of loans to any single borrower granted by the Bank did not exceed 10% of the net capital of the Bank.

7. *Overdue loans*

(unit: RMB'000)

Type	As at 31 December 2023 Amount	As at 31 December 2023 Percentage of total (%)	As at 31 December 2022 Amount	As at 31 December 2022 Percentage of total (%)
Current loans	**349,471,874**	**98.22**	326,461,966	98.13
Overdue loans	**6,331,905**	**1.78**	6,206,157	1.87
— within 3 months	**2,545,000**	**0.72**	3,884,230	1.17
— 3 months to 1 year	**2,716,045**	**0.76**	750,148	0.23
— 1 year to 3 years	**956,170**	**0.27**	1,431,058	0.43
— above 3 years	**114,690**	**0.03**	140,721	0.04
Total loans and advances to customers[1]	**355,803,779**	**100.00**	332,668,123	100.00
Less: Provision for expected credit loss	**13,291,864**	**—**	10,919,999	—
Net loans and advances to customers	**342,511,915**	**—**	321,748,124	—

Note:

(1) Total loans and advances to customers refer to the credit risk exposure comprising the principal amount of the loan and the balance of accrued interest.

As of the end of the Reporting Period, the balance of overdue customer loans of the Group was RMB6.332 billion, accounting for 1.78% of all loans, representing an increase of RMB0.126 billion compared with the end of the previous year. Of which, the balance of loans overdue within 3 months was RMB2.545 billion, representing a decrease of RMB1.339 billion as compared with the end of the previous year, mainly due to a further increase in the number of days overdue by individual overdue loan customers to more than three months. The balance of loans overdue for 3 months to 1 year amounted to RMB2.716 billion, representing an increase of RMB1.966 billion as compared with the end of last year, mainly due to the increase in the overdue period of individual loan customers as a result of their difficulties to repay principal and interest due to poor business operation. The balance of loans overdue for 1 year to 3 years amounted to RMB0.956 billion, representing a decrease of RMB0.475 billion as compared with the end of last year; The balance of loans overdue for above 3 years amounted to RMB0.115 billion, representing a decrease of RMB0.026 billion as compared with the end of last year, mainly due to our Group's multi-pronged measures to accelerate the disposal of non-performing loans through write-offs and market-based disposals.

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, the Group actively negotiated with borrowers for disposal and restructuring of loans, and partial existing restructured loans were settled. The following table sets forth the balance and proportion of the Group's restructured loans as at the date indicated:

(unit: RMB'000)

	As at 31 December 2023		As at 31 December 2022	
Type	**Amount**	**Percentage of total (%)**	Amount	Percentage of total (%)
Restructured loans	**33,993**	**0.01**	57,784	0.02

9. *Foreclosed assets*

As of the end of the Reporting Period, the Group's foreclosed assets were as follows:

(unit: RMB'000)

Type	**As at 31 December 2023**	As at 31 December 2022
Property and equipment	**274,986**	274,986
Land use rights	**107,461**	107,461
Sub-total	**382,447**	382,447
Less: Provision for impairment loss	**296,137**	296,137
Total	**86,310**	86,310

10. *Disposal of non-performing assets*

In 2023, a total of RMB2.825 billion of non-performing loans were resolved, including RMB1.133 billion for cash settlement, RMB0.057 billion for creditor's rights transfer, RMB0.034 billion for debt restructuring, RMB1.539 billion for bad debt write-off, and RMB0.062 billion for quality improvement.

11. Movements in provision for impairment of loans and advances to customers

During the Reporting Period, the Group made a provision for loan losses of RMB3.453 billion, of which RMB3.456 billion was provided for loans and advances at amortised cost, and RMB0.003 billion was reversed to loans and advances at fair value through other comprehensive income; wrote off the non-performing loans of RMB1.539 billion and recovered the loans that had been written off of RMB0.441 billion. As of the end of the Reporting Period, the balance of provision for expected credit losses on loans amounted to RMB13.357 billion. Among them, the balance of impairment on loans and advances at amortized cost amounted to RMB13.292 billion, and the movements in the provision for expected credit losses are as follows:

(unit: RMB'000)

	For the year ended 31 December	
	2023	2022
Balance as at the end of last period	**10,919,999**	9,028,895
Current new additions	**1,737,459**	1,669,690
Derecognition or settlement for the period	**(2,502,122)**	(3,522,610)
Write off for the period	**(1,539,141)**	(620,495)
Re-measurement	**4,675,669**	4,364,519
Closing balance	**13,291,864**	10,919,999

In addition, loans and advances to customers (bills rediscounted and forfeiting), which are measured at fair value with changes recognized in other comprehensive income, had an impairment balance of RMB0.065 billion as at the end of the Reporting Period.

(V) Capital Management

As of 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 15.85%, 13.65% and 13.62%, respectively, and the capital adequacy ratios at all levels met regulatory requirements. During the Reporting Period, the Group's profit maintained steady growth, and achieved endogenous capital growth, and capital adequacy ratio maintained at a robust level.

The Group continued to strengthen its capital management. Firstly, we strengthened our capital planning management and optimized our capital allocation strategy with a capital planning framework, so as to achieve effective transmission from capital planning to capital budgeting and capital allocation. Secondly, we optimized the structure of on-and off-balance sheet asset allocation and gradually enhanced the efficiency of capital utilization. Thirdly, we continued to optimize the capital structure, and broadened the channels of capital supplementation, based on the principle of endogenous accumulation as the main source, supplemented by external sources.

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 Management 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 31 December 2023	As at 31 December 2022
Core tier-one capital	**55,705,955**	52,125,369
Core tier-one capital deductions	**566,833**	566,056
Net core tier-one capital	**55,139,122**	51,559,313
Other tier-one capital	**140,876**	133,021
Net tier-one capital	**55,279,998**	51,692,334
Tier-two capital	**8,874,914**	8,432,236
Net capital	**64,154,912**	60,124,570
Total risk-weighted assets	**404,855,812**	376,335,100
Including: Credit risk-weighted assets(1)	**372,157,822**	337,577,911
Market risk-weighted assets(2)	**8,015,219**	14,832,615
Operational risk-weighted assets(3)	**24,682,771**	23,924,574
Core tier-one capital adequacy ratio (%)(4)	**13.62**	13.70
Tier-one capital adequacy ratio (%)(5)	**13.65**	13.74
Capital adequacy ratio (%)(6)	**15.85**	15.98

Note:

(1) Credit risk is measured using the weighted approach.
(2) Market risk is measured using the standardized method.
(3) Operational risk is measured using the basic indicator method.
(4) Calculated by dividing core tier-one capital (less core tier-one capital deductions) by total risk-weighted assets.
(5) Calculated by dividing tier-one capital (less tier-one capital deductions) by total risk-weighted assets.
(6) Calculated by dividing total capital (less 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》), the Group's capital composition statement, relevant account item fact sheet, main characteristics of capital instruments and other statement information will be further disclosed in the "Investor Relations" — "Information Disclosure" — "Regulated Capital" column on the Chinese version of the Bank's website (www.drcbank.com).

2. *Leverage ratio*

The Group calculated and disclosed the leverage ratio in accordance with the relevant provisions of the Administrative Measures for the Leverage Ratio of Commercial Banks (Revision).

(unit: RMB'000)

Item	As at 31 December 2023	As at 31 December 2022
Net Tier-1 capital	**55,279,998**	51,692,334
Adjusted balance of on- and off-the balance sheet assets(1)	**723,689,481**	668,518,886
Leverage ratio(2)(%)	**7.64**	7.73

Note:

(1) Calculated by dividing net tier-one capital by the adjusted balance of on- and off-the balance sheet assets.

(2) The leverage ratios of the Group at the end of the third quarter of 2023, the end of second quarter of 2023 and the end of the first quarter of 2023 were 7.77%, 7.63% and 7.79%, respectively, among which the leverage ratios at the end of the third quarter of 2023 and the end of the first quarter of 2023 were based on the standards adopted under the off-site supervision statement of the the National Administration of Financial Regulation on a Group consolidated basis.

For more details on the leverage ratio, please refer to the Supplemental Financial Information Appendix — "Information on Leverage Ratio" in the "Financial Report" chapter of this Report.

(VI) Segment Operation 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 31 December			
	2023		2022	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking	**7,316,869**	**55.18**	7,321,522	55.32
Retail banking	**5,480,469**	**41.33**	5,306,338	40.09
Treasury business	**590,840**	**4.46**	1,570,267	11.86
Others	**(128,016)**	**(0.97)**	(962,170)	(7.27)
Total operating income	**13,260,162**	**100.00**	13,235,957	100.00

(VII) Analysis On Off-Balance Sheet Items

The Group's off-balance sheet items mainly consisted of letters of credit, issuance of letters of guarantee, acceptance bills and unused limit of credit cards. As of the end of the Reporting Period, the balances of letters of credit, letters of guarantee issued, acceptance bills and unused limit of credit cards amounted to RMB0.911 billion, RMB4.853 billion, RMB9.578 billion and RMB8.563 billion, respectively.

Among them, the commitments included financial guarantees and other credit commitments and capital commitments, the distribution of which is summarized below:

1. *Credit commitments*

(unit: RMB'000)

Item	As at 31 December 2023	As at 31 December 2022	Increase/ (decrease) at the end of the Reporting Period compared with the end of the previous year (%)
Letter of credit	**911,310**	634,248	43.68
Letter of guarantee	**4,852,527**	3,873,420	25.28
Bank acceptance bills	**9,577,536**	6,838,020	40.06
Unused limit of credit card	**8,563,305**	9,594,259	(10.75)
Total	**23,904,678**	20,939,947	14.16

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	**139,643**	603,106

As of the end of the Reporting Period, the Group had no material contingent liabilities; there were no material litigation cases with the Bank or the Bank's subsidiaries as defendants.

For details of the off-balance sheet commitments, please refer to Note 40(c) "Capital commitments" to the Consolidated Financial Statements in the chapter "Financial Report" of this Report.

(VIII) Other financial information disclosed in accordance with regulatory requirements

1. *Contingent Liabilities and Pledged Assets*

Details of the Group's contingent liabilities and pledged assets at the end of the Reporting Period are set out in Note 40 "Contingent Liabilities and Commitments", to the consolidated financial statements in the chapter "Financial Report" of this Report.

2. *Overdue debts*

The Group had no overdue debts during the Reporting Period.

3. *Analysis of investment*

During the Reporting Period, the Bank had no new equity investment projects.

4. *Disposal of major asset and equity*

During the Reporting Period, the Bank had no disposals of major assets and equity.

5. *Structured entities under the Bank's control*

As at the end of the Reporting Period, the scale of structured entities issued and managed by the Group and included in the scope of the consolidated financial statements was RMB3.694 billion.

III. OVERALL BUSINESS DEVELOPMENT

In 2023, the Group earnestly implemented the spirit of the Central Financial Work Conference, the specific deployment of "1310" by the Guangdong Provincial Party Committee and the tasks of high-quality development in Dongguan. Focusing on the financial support to the "High-quality Development Project", we continued to promote various key tasks such as collectivized development, digital transformation, serving the real economy, and preventing and defusing risks, constantly activated internal momentum, and strengthened core competitiveness, with an aim to forge ahead with high-quality development goals.

First, we continued to promote collectivized development. In 2023, under the guidance and support of the provincial and municipal governments and regulatory authorities, the Bank further improved the management mechanism of Zhanjiang RCB, Chaoyang RCB and other subsidiaries, as well as Puning RCB, which was entrusted by Dongguan Municipal Government. On the one hand, we continued to strengthen our mechanism for joint and coordinated efforts by focusing on important business issues, following the principle of vertical management and targeting the goal of empowering the subsidiaries and management organizations. On the other hand, we steadily promoted the risk resolution of the Group's member institutions, continued to optimize the corporate governance structure, pushed forward the reform and development of the external investment institutions, and made best efforts in helping the institutions and tackling the reform.

Second, we vigorously promoted digital transformation. In 2023, based on the strategy of "overall planning, highlighting key points, running fast in small steps and winning in local areas", the Bank constantly enhanced its capacity for digital synergy and innovation by focusing on the implementation of digital strategies, digital organization and management, application of digital scenarios, and the construction of digital platforms. We vigorously promoted new core system construction projects and data management work, established and improved data governance management system, focused on improving data operation capabilities and strengthening data basic service capacity building to ensure that data services meet daily operation and management requirements, and adopted big data, machine learning and other digital technologies to enable the decision application in four areas of the Group: precision marketing, intelligent risk control, customer management, and channel operation.

Third, we continued to improve the quality and effectiveness of inclusive finance. The Bank thoroughly implemented the Implementation Opinions of the State Council on Promoting the High-quality Development of Inclusive Finance, continuously improved the professionalized operation mechanism of inclusive finance, strove to enhance the accessibility of financing for small and micro-sized enterprises, individual industrial and commercial households and other business entities, and fully fulfilled the requirements of finance for the people. In 2023, the Bank's balance of loans to small and micro enterprises was RMB163.657 billion, of which the balance of inclusive loans to small and micro enterprises was RMB40.474 billion, representing a net increase of RMB7.501 billion from the beginning of the year, a growth rate of 22.75%, higher than the growth rate of other loans (excluding discount). In the year, the interest rate of newly issued inclusive small and micro enterprise loans was 4.23%, down 52 basis points from the previous year.

Fourth, we gave full support to industrial economic development. The Bank actively fulfilled its mission and responsibility as the mainstay of local finance, focusing on strengthening financial support for the modern industrial system, especially the manufacturing industry. The Bank developed full-cycle financial service programs and provided enterprises with multi-channel, low-cost, long-term and stable financial support. In 2023, the balance of loans to manufacturing and related industries amounted to RMB60.704 billion, representing an increase of 25.49% over the beginning of the year, with the share of loans to the manufacturing industry remaining the highest among all industries, and RMB40.421 billion of credit lines were provided to 103 "three majors (三重)" (Major construction projects, major industrial clusters, major science and technology special construction) projects in the city. In addition, the Bank strongly supported the development of green finance and technology finance, with the balance of green credit amounting to RMB13.047 billion, an increase of 31.48% compared with the beginning of the year; the balance of science and technology loans amounting to RMB13.616 billion, an increase of 25.54% from the beginning of the year. We supported 196 national and provincial "specialised, refined, differentiated and innovative" enterprises, with a balance of RMB6.478 billion on- and off-the balance sheet, representing an increase of 21.15% from the beginning of the year.

Fifth, we deeply carried out financial services for Sannong. The Bank developed and implemented the Action Plan for Financial Support to the "High-quality Development Project", taking it as the main line of coordinating work for a long period of time in the future, and promoted the coordinated development of urban and rural areas by strengthening the supply of financial services. In 2023, the Bank's agriculture-related loan balance was RMB38.536 billion, representing an increase of 13.35% from the beginning of the year. In addition, the Bank granted a total of RMB34.355 billion of loans to support the village communes and village collective enterprises.

IV. BUSINESS OPERATION

(I) Five major businesses

1. Retail financial business

Dongguan is one of the megacities in Guangdong Province, providing a solid foundation for the Bank to develop retail finance. Based on the business philosophy of "customer-centric, market-oriented, and efficiency-oriented", the Bank optimized the organizational structure of the retail line according to characteristics of an ecological organization, strengthened the construction of the retail team, and deepened the transformation of the retail business. Taking the "High-quality Development Project" as the main line, we comprehensively strengthened customer management, and gave full play to the advantages of outlets, channels and customer groups, in order to promote the construction of customer ecosystem, and the high-quality development of retail business. As of 31 December 2023, the Group's personal deposit balance was RMB290.924 billion, personal loan balance was RMB123.395 billion, and retail banking revenue was RMB5.480 billion, maintaining a good growth trend. As of the end of the Reporting Period, the number of the Bank's retail customers reached 20,378,800 (including debit and credit card customers), representing an increase of 1.96% over the end of the previous year; the daily average assets under management (AUM) of retail customer of the year reached RMB284.346 billion, representing an increase of 9.19% year-on-year.

(1) Personal deposit business

The Bank's strategy of "deposit-oriented banking" and the direction of customer segmentation have effectively expanded the scale of personal deposits, giving the Bank a clear advantage in deposits. First, as a local legal entity bank, the decision-making chain is short, and flat management enables the Bank to meet customers' financial needs in a timely manner and efficiently realize business approval. Second, as the main force of local finance, the Bank is deeply cultivated in the local market. With nearly 500 business outlets throughout the city of Dongguan, the Bank has established a deep relationship with the citizens of Dongguan, enjoying significant geographical advantage of popularity. As of 31 December 2023, the Group's balance of personal demand deposits amounted to RMB117.516 billion, accounting for 24.13% of total customer deposits as at the same date, providing us with a stable source of low-cost funding.

(2) Wealth management business

During the Reporting Period, the Bank promoted the innovation and development of its wealth business through technology empowerment, continued to promote the transformation of its wealth management business, and continuously improved its product system. As of the end of the Reporting Period, the balance of the Bank's self-issued financial products amounted to RMB39.591 billion, of which 91.11% were personal financial products. Agency sales of non-monetary public funds amounted to RMB2.905 billion, representing a year-on-year growth rate of 4.37%; agency sales of asset management products amounted to RMB1.279 billion, representing a year-on-year growth rate of 66.93%; and agency insurance premiums amounted to RMB1.255 billion, representing a year-on-year decrease of 30.53%. During the Reporting Period, the Bank realized retail wealth management fee and commission income of RMB212 million, of which RMB17,648,100 was income from agency funds, RMB181,681,000 was income from agency insurance, RMB4,981,200 was income from agency asset management, RMB2,659,500 was income from agency precious metals, and RMB4,745,400 was income from agency government bonds.

(3) Private banking business

With the goals of increasing customer value, increasing the number of customers, and deepening product penetration, the Bank's private banking business provided customers with a full range of asset allocation services by building a full-life-cycle agency asset management product system and promoting the family trust business. Through the "1+3+N" grid business model, the Bank has deeply managed the business circle, family circle and friends circle of private banking customers, and built a dynamic customer ecosystem. Through the establishment of the distinctive "Dongguan Enterprise Club" (莞企薈) brand, we have created a service of "people — family — enterprises" for private banking customers. By focusing on the inheritance line, we have cultivated a new generation of young private banking customers. As of the end of the Reporting Period, the number of private banking customers reached 8,257, with an increase of 12.59% over the end of the previous year; the asset management scale (AUM) of private banking customers reached RMB57.804 billion, with an increase of 12.88% over the end of the previous year.

(4) Personal credit business

Upholding the customer-centric business philosophy, the Bank's personal credit business has deeply implemented the work deployment of the "High-quality Development Project", focusing on both quantity and quality. Relying on digital transformation, and taking market expansion and risk prevention as the two main measures, we strive to build a credit asset business with excellent products, active customer base, advanced risk control and strong team. As of the end of the Reporting Period, the asset size of the Bank's personal credit business amounted to RMB71.693 billion, representing an increase of RMB1.577 billion as compared with the end of the previous year. In 2023, the Bank further strengthened innovation and digital support for personal credit business. As of the end of the Reporting Period, the balance of self-operated personal consumption loans was RMB26.041 billion, an increase of RMB7.842 billion over the end of the previous year. During the Reporting Period, the accumulated loans were RMB26.870 billion, an increase of RMB11.476 billion over the previous year.

2. *Corporate financial business*

As an international manufacturing base, Dongguan has formed a relatively complete manufacturing system with characteristic industrial clusters. By focusing on the development of industrial finance, the Bank has deepened the implementation of the "1+3+N" grid service model, continuously enriched the industrial financial service system, and upgraded industrial financial services with technology to drive the comprehensive development of corporate business. As of the end of the Reporting Period, the balance of the Group's corporate deposits amounted to RMB186.735 billion, the balance of the Group's corporate loans (including bills discounted and rediscounted and trade finance) amounted to RMB231.679 billion, and the Group's income from its corporate finance business amounted to RMB7.317 billion, which was maintained at a good growth trend.

As the main Sannong financial force focusing on agriculture to support the revitalization of agriculture, the Bank, following the main service line for Sannong and based on the work requirements put forward by Guangdong Provincial Party Committee and Guangdong Provincial Government for the implementation of the "High-quality Development Project", has strengthened the supply of financial services, in order to help build a strong agricultural country, a livable and working countryside and a beautiful countryside, and provide financial strength for a good start in building a modern socialist country in an all-round way. As of the end of the Reporting Period, the balance of agriculture-related loans amounted to RMB38.536 billion, with an increase of RMB4.538 billion, as compared with the end of last year.

The Bank actively responded to the national policy guidance, focusing on strengthening financial support for advanced manufacturing, strategic emerging industries, "specialised, refined, differentiated and innovative" enterprises, green finance and urban renewal and other fields, which boosted the increase of corporate loan size and made a strong contribution to earnings. As of the end of the Reporting Period, the Bank's manufacturing loan balance was RMB60.704 billion, an increase of RMB12.330 billion over the end of the previous year; the green credit balance was RMB13.047 billion, an increase of RMB3.124 billion over the end of the previous year; the balance of loans to "specialized, sophisticated, new and unique" enterprises was RMB6.478 billion, an increase of RMB1.131 billion over the end of the previous year. The Bank actively developed the "Commercial Banking + Investment Banking" model and realized a balance of investment banking business of RMB4.850 billion.

The Bank actively built an "online + offline" all-round service channel to continuously meet the needs of customers for cross-border financial business. During the Reporting Period, the settlement volume of international business reached USD8.217 billion, and the settlement and sale of foreign exchange on behalf of customers reached USD4.954 billion, and cross-border financial services were increasingly improved.

To further adapt to changes in the market environment, and meet the increasingly complex and diversified financial service needs of large customers, the Bank has deepened its institutional reforms, constructed a "flat, professional and market-oriented" large-customer operating organization system, given full play to the operational advantages of local banks, built a fast and flexible market competitiveness, and practically enhanced the quality of local financial services and support for the real economy and the quality of local financial services. We explored a "debt-to-loan" integrated service model to strengthen comprehensive financial services for infrastructure projects. On the one hand, the Bank participated in the work of Dongguan government special bonds to achieve breakthroughs in scale and quality, 14 projects were successfully declared for inclusion in 2023, advanced declaration work for 2024 of 26 projects were completed, and deep "debt" service was provided. On the other hand, according to the implementation of key provincial and municipal construction projects such as the "Line 1" of Dongguan rail transit and the TID of the Dongguan People's Hospital, we designed credit and financing plans, shortened the chain, improved efficiency, and made deep and solid financial services for the whole life cycle of the projects. A total of RMB1.8 billion was granted to projects related to government special bonds, and active "loan" funds were provided.

3. *Small and micro finance business*

The private economy of Dongguan City has a large scale and plays a very important role in the local economy. The Bank has actively implemented and integrated Dongguan's development policies, adhering to the concept of "comprehensively operating all inclusive customer segments and all businesses of inclusive customer segments", and focusing on the theme of high-quality development of inclusive finance, making every effort to strengthen the optimization of products, processes, services and other multi-channels. The Bank rationally guided credit resources toward key areas such as benefiting the people's livelihood, and continuously increased credit support for important economic entities such as local high-quality private enterprises, inclusive small and micro enterprises, and individual industrial and commercial households. As of the end of the Reporting Period, the Bank had 21,500 small and micro enterprise customers for inclusive loans, an increase of 47 customers compared with the end of the previous year, and the balance of small and micro enterprise loans (according to the standards of the National Financial Regulatory Administration) reached RMB163.657 billion, with a growth rate of 10.84% over the beginning of the year. Among them, the balance of inclusive loans (excluding discounted bills) to small and micro enterprises with total credit amount of less than RMB10 million (inclusive) per customer amounted to RMB40.474 billion, representing a growth rate of 22.75% over the beginning of the year.

The Bank took the initiative to implement a series of fee reductions and concessions for small and micro enterprises, including offering concessions or exemptions on remittance, settlement, annual fees and management fees, thus effectively reducing the settlement costs of enterprises. This year, the Bank initiated a number of interest rate preferential activities of "relief for the benefit of people" at different stages of the year, and lowered the pricing of various types of micro and small loan products to effectively alleviate the financing pressure on micro and small customers. During the Reporting Period, the weighted interest rate of inclusive loans to small and micro enterprises was 4.23%, 0.52 percentage point lower than the weighted interest rate of the previous year; The non-performing ratio of inclusive loans to small and micro enterprises was 1.51%, which was controlled within 3 percentage points of the non-performing ratio of all loans of the Bank. The Bank steadily promoted the financial services of small and micro enterprises to "increase the coverage, improve the quality and reduce the cost".

The Bank made every effort to assist enterprises in bailing out and supporting the quality development of the local economy according to its decisions and plans. During the Reporting Period, the Bank implemented the service of "renewing loans without repayment of principal" for SMEs with a total amount of RMB1.886 billion, and a total of RMB363 million of small entrepreneurial loans were launched to provide interest-free funds for start-ups.

4. Interbank financial business

The Bank adhered to the general strategy of "seeking progress while maintaining stability" for the inter-bank financial business. Anchoring the Group's strategic development goals, we, based on the market-oriented approach and focusing on market trends, strengthened the linkage of investment and research, coordinated and balanced various indicators, flexibly implemented diversified strategies, enhanced scientific and technological empowerment, and optimized risk management and control system, in order to comprehensively promote the high-quality development of interbank financial business, and effectively consolidate the unique advantages of interbank financial business. During the Reporting Period, our market influence continued to enhance, the online business transaction volume of the Bank in the interbank market exceeded RMB9.37 trillion, and market transactions were active.

In terms of interbank assets, the Bank conducted in-depth research and evaluation of interest rate trends, and carried out asset allocation at the right time, continuously adjusted and optimized property structure, while enhancing its swing trading capability to increase the spread revenue contribution. In terms of inter-bank liabilities, the Bank has strengthened the refined management of liabilities and effectively reduced the cost of liabilities. During the Reporting Period, the Bank's issuance scale of inter-bank certificates of deposits totaled RMB125 billion, the balance at the end of the year was RMB57.1 billion, and the issuance interest rate was at a relatively optimal level among banks of the same level.

In terms of intermediary business, the Bank practiced the philosophy of "customer-centric", actively explored its customer base, increased the depth and coverage of cooperation with inter-bank customers and increased income from intermediary businesses through bond underwriting and distributing, securities lending and other businesses. During the Reporting Period, the Bank's bond underwriting scale reached RMB106.3 billion, achieving a year-on-year increase of 63% in fee income.

5. *Digital finance business*

Insisting on using digital technology to enhance the quality and efficiency of its financial operations and digital financial innovation to help with the development of the digital economy, the Bank promoted the construction of digital infrastructure and the mining of data value in a comprehensive manner. In terms of digital infrastructure, we enhanced the system support capability of data management and application through the construction of data center and data management system. At the same time, we deepened data governance to improve data quality, strengthened external cooperation to enrich data dimensions, and strengthened the data foundation from the aspects of data platform capacity, quality level, security control and availability dimensions. In terms of data value mining, we strengthened the application of big data, artificial intelligence and other technologies, deepened business analysis, business opportunity mining, customer profiling, and risk monitoring, and used data applications to help the Bank improve the level of customer insight, deepen the accuracy of risk control, improve product innovation capabilities, and enhance the quality and efficiency of internal management. In terms of online channel services, we enhanced the automation and intelligence of online channels by enriching channel functions, promoting digital RMB business, promoting channel integration and reshaping the customer journey.

(II) Digital transformation and financial technology development

1. *Digital transformation development*

In 2023, the Bank embarked on a digital transformation based on the principle of "Strengthening Foundations, Breaking through Opportunities", accelerated the new digital infrastructure, and continued to cultivate the digital empowerment scenario. During the Reporting Period, the Bank was selected as one of the pilot institutions of digital transformation and data governance in the province.

In terms of digital new infrastructure, first, we shall grasp the main task of new core planning and construction, and clarify the implementation scope and construction milestones of the project from 2023 to 2025 with special topics as the starting point, develop the four business improvement goals of "flattening business, specialization of division of labor, management process and service journey", and five applied organizational goals of "channel layer, middle platform layer, business processing layer, management decision layer, basic support layer" from the perspective of "external customer + internal user", and promote the unified management standards across the Bank. **Second, we shall promote the capacity building of data center in an orderly manner,** complete the project procurement of data operation, data development, data service, data security and other capacity centers based on the blueprint of data center, and strengthen the construction of data convergence and standardization; make solid progress in EAST data governance, basic data standard confirmation, data standard implementation and calibration, improve the data management system and personnel training, so as to improve the data quality and governance level of the Bank.

In terms of scenario-oriented empowerment, first, we shall expand external ecological cooperation, deepen the connection between government organizations and local enterprises, enrich the digital Renminbi and open banking service scenarios to improve the management level of customer contact, customer acquisition and customer retention through the "financial + non-financial" linkage construction. **Second, we shall enhance the momentum of digital operation,** upgrade key digital system platforms such as customer ecosystem management, transaction banking and credit risk warning, reshape the user experience of mobile banking and Wechat banking and other mobile applications, and accelerate the development of our digital capabilities in customer management, marketing risk control and channel services. **Third, we shall deepen data application services,** and use data mining technology to continuously enable the operation of the four major sectors of precision marketing, intelligent risk control, customer management, and channel operation, in order to help the retail and corporate customers enhance contribution and loyalty. During the Reporting Period, we carried out 29 data empowerment projects and independently developed 84 data analysis models.

2. Fintech development

The Bank embraced the general trend of fintech development, accelerated the innovative application of fintech, broadened the business landscape, enriched our business products through the "fintech+business landscape" model, facilitated the integration of online and offline businesses, and empowered our business to achieve high-quality development and management innovation.

First, we enhanced our technological support capability. We promoted the construction of technology centers and new data centers; deepened data center network construction, planned resource pools, optimized cloud computing services, and steadily improved infrastructure support capability; promoted localization of hardware and software applications; improved the automatic intelligent operation and maintenance capabilities of data centers; upgraded security measures and means of data centers, promote system, network, infrastructure and other switching drills, and strengthened risk control capabilities.

Second, we deepened financial technology empowerment. Focusing on the construction of annual informatization projects, and quickly responding to business needs, we completed various regulatory mandatory tasks on time and with quality, basically completed the consulting planning and design of the new generation core construction, and introduced PMO (project management office). Focusing on customer management, intelligent risk control, business innovation, group management and other aspects, we strengthened technological system support, improved the supply of financial products, upgraded user experience, and enhanced the digital level of financial services, giving full play to the role of empowerment of financial technology.

Third, we continued to increase financial technology investment and strengthen the building of talent teams. During the Reporting Period, the Bank increased financial technology capital investment, talent recruitment and training, improved product management mechanisms, established internal rotation training and horizontal integration mechanisms for product managers, and continuously strengthened resources and talent security to boost financial technology innovation and development. As of the end of the Reporting Period, the Bank had a total of 327 technological personnel, and the total investment in financial technology during the year was RMB525.805 million.

(III) Distribution Channels

1. Physical distribution channel

As of the end of the Reporting Period, the Bank had 498 branches and sub-branches (excluding the headquarters), including 494 in Dongguan and 4 in other cities within the province. Our number of bank branches in Dongguan ranks first in terms of the number of bank branches in Dongguan. The Bank has 2 branches outside Dongguan in Guangzhou and Zhuhai, and 2 sub-branches outside Dongguan in Huizhou and Qingyuan.

In addition, the Bank cooperated with third parties to establish four county banks in Dongguan, Huizhou and Yunfu of Guangdong Province and Hezhou of Guangxi Zhuang Autonomous Region, with a total of 10 branches (excluding the headquarters); and established two rural commercial banks with third parties in Zhanjiang City and Shantou City in Guangdong Province. The two rural commercial banks have a total of 167 branches (excluding the headquarters).

2. Self-service banking channel

As of the end of the Reporting Period, the Bank had 1,358 automatic teller machines (ATMs), self-service inquiry terminals and intelligent service terminals; among them, there were 787 automatic teller machines (ATMs), 14 self-service inquiry terminals, and 557 intelligent service terminals.

3. E-banking channel

During the Reporting Period, the Bank continued to optimize the customer experience of e-banking channels, taking mobile banking, online banking, Wechat banking, SMS banking, open banking, telephone banking and other channel services as the starting point for customer business, further upgrading channel services and strengthening customer operations.

As of the end of the Reporting Period, there were 4,514,500 personal mobile banking users, an increase of 496,300 or 12.35% over the beginning of the year; the average number of monthly active users (MAU) was 931,800, an increase of 16.66% over last year's average; there were 85,300 corporate mobile banking users, an increase of 13,800 or 19.37% over the beginning of the year; and there were 183,900 corporate online banking users, an increase of 19,400 or 11.78% over the beginning of the year; Inbound calls to the service hotline amounted to 706,100, with a connection rate of 93.18%, an increase of 5.12 percentage points year-on-year, and the number of online service interactions was 1,515,400, an increase of 18.04% year-on-year; telemarketing facilitated the credit card instalment and personal loan business to reach the scale of RMB2.948 billion.

V. RISK MANAGEMENT

The Bank continuously improved the comprehensive risk management governance framework and defined the organizational structure of comprehensive risk management. Accordingly, the Board of Directors, the Board of Supervisors and the senior management assumed respectively the ultimate responsibility, supervisory responsibility and implementation responsibility for comprehensive risk management. The chief risk officer was delegated with full independence in respect of overall risk management. The Bank implemented the comprehensive risk management model of "overall management of the comprehensive risk, taking the lead in classification risk management", and continuously optimized the "three lines of defense" of risk management consisting of business departments, risks under centralized management by specialized departments and audit and supervision departments, and further improved the organizational system and working mechanism for risk prevention and control.

During the Reporting Period, the Bank adhered to prudent and steady risk appetite, upheld the overall risk management principles of "seeking balance among risk, capital and income", and promoted the establishment of a comprehensive risk management system in line with its strategic objectives, to ensure that the Bank's risk tolerance is compatible with its capital adequacy level, and is committed to maximizing risk returns. Facing more complicated international and domestic environments, the Bank continuously optimized its risk management policies and procedures, strengthened the effective identification, reliable measurement, accurate monitoring and comprehensive control of major risks, and actively addressed and prevented various risks.

During the Reporting Period, the Bank focused on optimizing the credit risk management mechanism, established and implemented an independent credit approval mechanism that a professional independent credit approval team conducted centralized approval of credit business to promote standardized and independent credit approval. The Bank set up an agile group for cross-line and cross-departmental product research and development, pre-set the risk threshold, and embedded risk management into the whole process and whole life cycle of product development management. Large group loans received from branches and sub-branches shall be coordinated, operated and maintained by the Head Office. At the same time, for a single customer or a single group credit business with a credit limit beyond a certain range, it shall be discussed in advance by the Party Committee. The Bank set up the Asset Preservation Department, unified the management of the Bank's non-performing assets, and coordinated the professional disposal of non-performing assets.

(I) Credit Risk Management

Credit risk refers to the risk of economic loss caused by the failure of the Bank's counterparties in performing 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 the procedures, systems and methods related with credit risk management to identify, measure, supervise, reduce and control risks caused by credit business. In terms of credit risk management policies and procedures, the Bank has continuously improved its credit risk management system, and it has formulated and introduced relevant business management systems based on actual business development. During the Reporting Period, the Bank revised the "Implementation Rules for the Guarantee Business Operation of the Financing Guarantee Institution of Dongguan Rural Commercial Bank Co., Ltd.," Measures for Management in Pricing the Disposal of Non-performing Assets of Dongguan Rural Commercial Bank Co., Ltd and other systems, 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 established a comprehensive risk management department, which is a dedicated risk management department independent of other business departments that undertakes credit risk management functions, and established the Asset Preservation Department to manage the non-performing assets in a centralized manner. Business departments are the first line of defense for credit risk management of each business line, and implement vertical management and risk control for branch business teams. In terms of the methods of asset risk classification, the Bank strengthened the implementation of the Measures for Risk Classification of Financial Assets of Commercial Banks, and established and improved the risk classification management system for financial assets of our own banks, 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. During the Reporting Period, the Bank completed the construction and launch of the credit risk early warning system phase II project, which further strengthened the correlation between risk early warning and post-loan management, and realized the intelligent off-site inspection after loans.

As of the end of 2023, 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 details on the risk management, please see Note 43.1 "Credit risk" to the Consolidated Financial Statements in the chapter headed "Financial Report" 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 Bank adopted a prudent liquidity risk management strategy. On the basis of meeting regulatory requirements, the Bank properly balanced the level of return and liquidity, maintained moderate liquidity, and controlled liquidity risk within an acceptable and reasonable range to ensure the safe operation of the Bank.

During the Reporting Period, the Bank continued to implement liquidity risk management policies and various liquidity risk management measures to strengthen liquidity risk management. Specific measures for liquidity risk management included: formulating annual liquidity risk appetite indicators and limit indicators based on the requirements of macro-economy, market trends and business development. The Bank continuously measured and monitored liquidity risk, and measured liquidity risk by using indicators such as liquidity ratio, liquidity matching ratio, liquidity gap ratio, liquidity coverage ratio and net stable funding ratio based on the structural allocation of assets and liabilities. The Bank continuously optimized the functions of the fund position management system, strengthened the control of funds at key points of time, and maintained a reasonable level of reserves. The Bank analyzed the ability to withstand liquidity events or liquidity crises through stress testing scenarios that combined mild, moderate and severe pressure, and rationally allocated sufficient liquidity reserve assets to cope with liquidity risks; established a limit management and early warning monitoring mechanism to ensure that liquidity risks are controlled within an acceptable and reasonable range by regulating daily asset and liability portfolios; and formulated targeted emergency plans and regularly organized emergency drills to improve emergency response capabilities.

During the Reporting Period, the Bank's liquidity risk was generally controllable, and no liquidity risk events occurred. The main liquidity risk regulatory indicators have met the standard monthly. The stress test results also showed that the Bank has sufficient risk mitigation capability under stressful scenarios to cope with the crises.

1. *Liquidity coverage ratio*

The Group calculated and disclosed the liquidity coverage ratio information in accordance with the relevant provisions of the Measures for Information Disclosure of Liquidity Coverage Ratio of Commercial Banks as follows:

(unit: RMB'000)

Item	**As at 31 December 2023**	As at 31 December 2022	Minimum Regulatory Requirement
Liquidity ratio	**82.24%**	77.07%	≥25%
Qualified high-quality liquid assets	**157,272,725.30**	137,082,938.30	—
Net cash outflows	**72,959,838.00**	58,655,719.30	—
Liquidity coverage ratio	**215.56%**	233.71%	≥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 Group calculated and disclosed the net stable funding ratio information in accordance with the relevant provisions of the Measures for Information Disclosure of Net Stable Funding Ratio of Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》) as follows:

(unit: RMB'000)

Item	**As at 31 December 2023**	As at 30 September 2023	As at 31 December 2022
Available stable funding	**497,205,070.46**	480,069,158.26	458,443,597.31
Required stable funding	**335,277,178.76**	326,599,909.93	317,199,790.23
Net stable funding ratio	**148.30%**	146.99%	144.53%

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 details on the liquidity risk management, please see Note 43.3 "Liquidity risk" to the Consolidated Financial Statements in the chapter "Financial Report" in this Report.

(III) Market Risk Management

Market risks include interest rate risk, exchange rate risk (including gold), stock price risk and commodity price risk, which refer 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 risks faced by the Bank include interest rate risk and exchange rate risk. The Bank has established and continued to improve its market risk management policy, which clearly defines the responsibilities of the Board of Directors, the Board of Supervisors and the senior management, relevant risk management and business departments in the process of market risk identification, measurement, monitoring and reporting, so as to ensure the effectiveness of market risk management.

During the Reporting Period, the Bank followed the principle of prudent market risk management, maintained a prudent market risk appetite, and took measures such as limit management, duration control, sensitivity analysis, scenario simulation and stress testing to measure, monitor and manage interest rate risks in the trading accounts and banking book, and exchange rate risk, respectively, to ensure that market risks can be controlled within a reasonable range.

In accordance with the provisions of the Capital Management Measures for Commercial Banks (Trial), the Bank adopts the standard method to measure market risk capital. As of the end of 2023, the Bank's market risk-weighted assets were RMB7.428 billion. The capital provision was made in a prudent way and has fully covered market risks. The stress test of interest rate risk and exchange rate risk showed that the impact of interest rate and exchange rate changes on the Bank was controllable, and the overall market risk was at a manageable level.

1. Interest rate risk management

Interest rate risk management refers to the process of identifying, measuring, monitoring and controlling interest rate risk.

The objectives of the Bank's interest rate risk management include establishing a sound interest rate risk management system, controlling fluctuations in income and economic value, ensuring that the Bank operates within an acceptable interest rate risk range, balancing interest rate risk and income, and ultimately maximizing risk returns.

In terms of the trading accounts, the Bank strengthened the interest risk measurement and limit management of trading accounts. The Bank conducted measurement management of the interest rate risk of trading accounts by adopting various methods including change in fair value through profit and loss and floating profit and loss monitoring, gap analysis, value-at-risk (VaR), and interest rate sensitivity analysis (PVBP and duration). The Bank further optimized the interest rate risk limit management system of trading accounts, continued to monitor interest rate risk limits, and reported and alerted risks in a timely manner. The Bank continued to conduct stress tests on interest rate risk, including bond valuation stress tests and derivatives stress tests and examined the impact of changes of market returns on the valuation of bond holdings and of revenue curves on the economic value of derivative portfolios. During the Reporting Period, the Bank adopted a prudent investment management strategy in general, and dynamically adjusted risk exposures based on market changes using bond transactions, derivatives hedging and other methods. All trading book interest rate risk indicators were remained within the target range.

In terms of the banking book, the Bank adhered to the principles of prudence, comprehensiveness and independence, continued to strengthen the interest rate risk management of the banking book, comprehensively considered the Bank's development strategy, risk appetite, macroeconomic and market changes and other factors, controlled the interest rate risk indicators of the banking book within a reasonable range, sought a balance between risks and returns, and finally maximized Shareholders' value. The Bank measured interest rate risk in the banking book by means of gap analysis, duration analysis, scenario simulation and stress testing, and regularly evaluated the impact of different interest rate changes on net interest income and economic value. At the same time, according to the requirements of external regulations, the impact of loan prepayment rate, time deposit early withdrawal rate and demand deposit precipitation rate on economic value changes and net interest income changes was regularly evaluated during the measurement process. During the Reporting Period, the Bank further standardized the interest rate risk management process of the banking book, optimized and improved the interest rate risk limit indicator system and risk measurement model of the banking book; paid close attention to changes in the external environment and the structure of internal interest rate risk exposure, implemented prospective layout on the active management strategy of interest rate risk, took the control of the fluctuation of interest rate risk indicators as the main goal, actively adjusted business pricing and asset and liability management strategies, and promoted the application and transformation of new re-pricing methods for floating rate loans. As of the end of December 2023, all interest rate risk limit indicators in the banking book remained within the target range.

2. *Exchange rate risk management*

In 2023, the RMB exchange rate fluctuated widely, with an overall trend of depreciation. During the Reporting Period, the Bank took the control of foreign exchange exposure as the key measure of exchange rate risk management, and adopted the management strategy of maintaining low exposure to reduce the losses of the Bank caused by risks of drastic exchange rate fluctuations. As of the end of 2023, the Bank's cumulative foreign exchange exposure ratio was 1.20%, which increased by 68 basis points from the end of 2022, far below the regulatory bottom line of equal to or less than 20%, the exchange rate risk level was low, and the overall exchange rate risk was controllable.

For more details on market risk management, please see Note 43.2 "Market risk" to the Consolidated Financial Statements in the section headed "Financial Report" in this Report.

(IV) Off-balance Sheet Business Risk Management

Off-balance sheet businesses refer to the businesses engaged by commercial banks which are not included in the balance sheet and do not constitute actual assets and liabilities according to the current enterprise accounting standards for business enterprises, but may cause changes in profit or loss. Because of off-balance sheet businesses' characteristics such as contingency, concealment, high leverage and hysteresis, off balance-sheet risks may transfer to on-balance sheet risks and seriously affect the operating activities and earning position of commercial banks under the influence of an uncertain factor at some time in the future. Off-balance sheet business risks faced by the Bank mainly come from businesses involving commitment and guarantee, providing investment and financing services as an agent, and financial derivatives.

1. *Commitment and guarantee*

Commitment and guarantee business is a business with which the Bank is entrusted by its customers to undertake responsibilities for third parties, and it is a business that the Bank is exposed to credit risks associated with commitment and guarantee and may be required to provide funds if the Bank's customer fails to fulfill its obligations. At present, the Bank's commitment and guarantee business mainly includes acceptance bills, letters of credit and letters of guarantee.

In terms of acceptance bills, the Bank formulated the Operating Instruction for the Acceptance Business of E-Banking Acceptance Bills of Dongguan Rural Commercial Bank Co., Ltd. and other systems in accordance with laws, regulations and rules, so as to handle bank acceptance bills business according to laws and regulations, and include the acceptance bills business into the unified credit management of the Group. Acceptance bills were handled according to the standardized process of "application — acceptance — investigation — credit approval — signing of acceptance contracts and other documents — acceptance approval — acceptance of bills — post-loan management". When advances occur in the bank acceptance bill business, it will be regarded as overdue loans, and subject to accounting treatment according to the Accounting Rules for Electronic Banking Acceptance Advance Business of Dongguan Rural Commercial Bank Co., Ltd.

In terms of letters of credit, the Bank handled letter of credit business in accordance with law, and included the letter of credit business into the unified credit management of the Group. When a letter of credit is issued and the documents are in conformity with each other, the Bank irrevocably undertakes to pay on behalf of the customer in the event that the customer fails to fulfill his/her payment obligations to a third party, and the amount of the letter of credit shall be the amount of the maximum potential loss in the event of the counterparty's failure to comply with the contract.

In terms of letters of guarantee, the Bank formulated the Measures for Management in Letters of Guarantee Business of Dongguan Rural Commercial Bank Co., Ltd. and other systems in accordance with laws, regulations and rules, so as to handle letter of credit business according to law and regulations, and include the letter of credit business into the unified credit management of the Group. Letters of credit were handled according to the standardized process of "application — acceptance — investigation — credit approval — signing of letter of guarantee contracts and other documents — Approval on letter of guarantee loan granting — issuance of letter of guarantee — post-loan management". When advances occur in the letter of guarantee business, it will be regarded as overdue loans, and subject to accounting treatment according to the Accounting Rules for Advance Payment of Letter of Guarantee of Dongguan Rural Commercial Bank Co., Ltd.

2. *Providing investment and financing services as an agent*

The business of providing investment and financing services as an agent refers to the business with which commercial banks are entrusted to provide investment and financing services to customers according to the agreement, with no responsibility for repayment on behalf of customers. At present, the Bank's investment and financing services mainly include entrusted loans, and wealth management for customers.

In terms of entrusted loan business, the Bank adopted a series of credit safety precautions to strengthen loan management for principals, for example, the issuance, use and recovery of entrusted loans, provided that as a trustee, the Bank shall just receive service fee, and shall not bear any credit risk or make any advance payment.

As for the business of wealth management for customers, the Bank formulated corresponding management systems and business management procedures from the asset end and liability end respectively, and conducted business within the risk limits established by senior management. The wealth management investment business has been incorporated into the unified credit system of the Bank, adopting a unified credit policy, process, quota and concentration management, and implementing on- and off-the balance sheet unified management. The Bank implemented a list management system for partners in the wealth management investment business and conducted regular tracking evaluations. The Bank regularly conducted stress tests on wealth management products to calculate the risk of wealth management products under different pressure scenarios and strengthen the risk management of wealth management assets and liabilities. The Bank regularly disclosed the operation of wealth management products on its official website to fully disclose the information, investment targets of funds, the net value of products, the liquidity risk analysis of the investment portfolios and other information of wealth management products to the investors. During the Reporting Period, the Bank's investment banking and wealth management business had no risks or legal proceedings.

The Bank is qualified as a lead underwriter of debt financing instruments for non-financial enterprises and can underwrite debt financing instruments issued by non-financial enterprises in the inter-bank bond market. The Bank has formulated corresponding management systems and business processes. Each underwriting business of non-financial corporate debt financing instruments is subject to due diligence on the bond issuer and reported to the authorized person for approval before commencement. During the Reporting Period, the Bank's underwriting business of non-financial corporate debt financing instruments had no risks or legal proceedings.

3. Financial derivatives

The financial market department was established as the front office department for proprietary trading of local and foreign currency derivatives. Derivatives trading strictly followed the principles of separation of front, middle and back stages and the businesses were developed in an orderly manner according to the requirements of internal control and risk management system.

The Bank managed access management of counterparties on the basis of the risk preference and the risk characteristics of each business. The Bank monitored and managed the risks of the derivatives business through risk limit, exposure position statements and capital flow statement analysis and other measures. The Bank regularly conducted stress tests on the derivatives business, improved policies and procedures of market risk management based on the test results, and inspected the design and results of stress tests, so as to continuously improve the testing procedures. The derivatives business was incorporated into the liquidity risk management system and monitored through the liquidity risk management system. And the factors of the derivatives business were considered in the liquidity stress tests.

(V) Compliance Risk Management

Compliance risks refer to the risks 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.

During the Reporting Period, the Bank insisted on operating in compliance with laws and regulations, steadily carried out various tasks, and strictly prevented and controlled compliance risks. In line with the regulatory requirements, the Bank continued to implement the "establishment, revision and abolition" of the system, thereby ensuring the compliance and applicability of the system. In addition, the Bank strictly verified the compliance of new products and new businesses, and put compliance risk control at the front. The Bank organized and strengthened case risk investigation, and continued to deepen the construction of internal control compliance management and the implementation of compliance risk assessment, so as to improve the construction of internal control compliance system. The Bank formulated a compliance reporting mechanism and the construction plan for "Top Five" compliance culture to enhance employees' awareness of performing duties in accordance with regulations and improve the level of compliance risk prevention and control. During the Reporting Period, the Bank did not have any major compliance risk events.

(VI) Operational Risk Management

Operational risks refer to the risks of losses resulting from inadequate or faulty internal procedures, staff and IT systems, and external events.

During the Reporting Period, the Bank established a sound organizational structure and a sound management system of operational risks to ensure that business operations are in compliance with laws and regulations, which provided a healthy internal operating environment for business development. The Bank revised the "Measures for the Management of Operational Risk of Dongguan Rural Commercial Bank Co., Ltd", the "Measures for the Management of Operational Risk and Control Self-assessment of Dongguan Rural Commercial Bank Co., Ltd", and the "Measures for the Management of Key Risk Indicators of Dongguan Rural Commercial Bank Co., Ltd", and constantly improved the systems of group operational risk. The Bank actively introduced and promoted the application of operational risk core management tools, established an effective operational risk identification system, and formulated the procedures and methods for operational risk identification, measurement, monitoring and control. The Bank enhanced the compliance of employees' behaviors and business operations by strengthening business supervision and inspection, risk screening, employees' behavior management, accountability for breaches and other aspects, reducing the occurrence of operational risk events caused by employees.

During the Reporting Period, the Bank did not have any major operational risk events.

(VII) Large-scale Risk Exposure Management

Pursuant to the Management Measures for Large-scale Risk Exposure of Commercial Banks issued by the CBIRC (Order No. 1 of CBIRC in 2018), 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 a comprehensive risk management system, and actively promoted the system construction related to the large-scale risk exposure management, so as to strictly prevent concentration risks. As of the end of the Reporting Period, the Group's large-scale risk exposure indicators for non-interbank single customers, non-interbank group customers, interbank single customers and interbank group customers complied with regulatory requirements.

(VIII) Reputational Risk Management

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

The Bank has established an effective reputational risk pre-assessment mechanism to promote the reputational risk control in advance. By making full use of the intelligent reputation monitoring system, implementing 24/7 hours omni-channel public opinion monitoring and strengthening manual monitoring, the Bank has created the intelligent reputation monitoring mechanism of "technical defense + manual defense". Also, the Bank conducted regular reputational risk management training, continuously improving 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 in branches each quarter which may cause widespread public concern, etc. The Bank also investigated and identified potential reputational risks, and promptly released reputational risk warnings. During the Reporting Period, the overall reputation of the Bank was stable and good, and no major reputational events occurred.

(IX) Information Technology Risk Management

Information technology risks refer 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.

During the Reporting Period, the Bank continued to strengthen its IT risk management. First, we improved the system construction of information technology governance, information technology outsourcing management, information technology risk, information technology development, testing, operation and maintenance, and ensured effective implementation through standardized processes. Second, we continued to strengthen cyber security barriers, upgraded security technology prevention and control measures, strengthened security monitoring and operation capabilities, and successfully completed cyber security guarantee and attack and defense drills in important periods. Third, we carried out graded protection, phishing monitoring, penetration testing, vulnerability fix and other works on a regular basis to improve the level of network security protection. Fourth, we launched the monitoring and early warning of key indicators of information technology risks, effectively implemented business continuity emergency drills, and improved the emergency response capacity to respond to information technology emergencies. Fifth, we gave full play to the role of the "three lines of defense" of information technology risk management, and implemented a number of security investigations, risk assessments, and internal and external audits to check and promote and effectively improve the effectiveness of information technology risk management and control. During the Reporting Period, our information system as a whole operated safely and stably, and no information technology risk events that had a significant impact on the Bank occurred.

(X) Strategic Risk Management

Strategic risk refers to the risk where the strategic goal deviates from 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 implementation 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 deepened the implementation and monitoring mechanism of the "Outline of the Second Three-Year Development Plan for the Third Transformation of Dongguan Rural Commercial Bank Co., Ltd. (Group) (2021–2023)". 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, and continue to play a strategic leading role.

(XI) Anti-Money Laundering Management

During the Reporting Period, the Bank further consolidated the anti-money laundering performance foundation and strengthened money laundering risk management, and comprehensively improved the compliance of anti-money laundering work and the effectiveness of money laundering risk management. By organizing the whole bank to carry out anti-money laundering compliance self-examination and self-correction work, we enhanced the coherence of internal control systems, strengthened the information technology capabilities of anti-money laundering systems, enhanced customer identification management, improved the quality of large and suspicious transaction reports, improved the effectiveness of anti-money laundering off-site supervision, and increased anti-money laundering training, thus further consolidating the foundation of anti-money laundering performance. By organizing the whole bank to carry out money laundering risk assessment and classified management, we continued to review the effectiveness of institutional self-assessment and strengthen the application of assessment results, enhanced the retrospective investigation and refined risk control management of high-risk customers, strengthened the money laundering risk assessment and risk warning management of high-risk businesses, and constantly enhanced the effectiveness of money laundering risk management. During the Reporting Period, the Bank did not have any material money laundering risk events. In addition, we actively played the anti-money laundering intelligence function, and achieved remarkable results in performing our duties, highly recognized by the regulatory authorities and public security organs for the anti-money laundering work.

(XII) Internal Control

During the Reporting Period, the Bank established a corporate governance structure with a reasonable division of labor, clear authority and responsibilities and checks and balances, as well as a multilevel internal control organizational structure. The Board of Directors, the Board of Supervisors, senior management, internal control management function department, internal audit department and other departments 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.

(XIII) Internal Audit

The Bank implements an independent and vertical internal audit management system. The Board of Directors assumes ultimate responsibility for the independence and effectiveness of internal audit, considers and approves internal audit rules, mid-and long-term audit plans and annual audit plans, provides necessary safeguards for independent and objective internal audit work, and assesses 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 rules, considering and approving mid-and long-term audit plans and annual audit plans as well as guiding, assessing and evaluating internal audit. The Audit Department undertakes specific internal audit responsibilities and is responsible for reviewing, evaluating and urging the improvement of the Bank's business operations, risk management, internal control compliance and corporate governance effects through systematic and standardized methods, so as to promote the stable operation and value enhancement of the Bank.

During the Reporting Period, the Bank adhered to and strengthened the Party's leadership over audit work. The audit department, focusing on main responsibilities and main businesses, scientifically formulated the annual audit work plan, effectively implemented management measures such as "double chief audit" (business review and data audit) and project discussion, adopted the audit team responsibility system to orderly implement the corporate governance, credit business, financial management, information technology and related audit projects of affiliated and management institutions, carried out economic responsibility audit for some important personnel, and urged the relevant responsible units and individuals to properly implement rectification to ensure the effectiveness of audit supervision and audit rectification. In addition, we continued to promote the digital transformation of audit, further improved the collection and application of basic data, broadened the scope of off-site monitoring, promoted the quality and efficiency of audit work, and effectively fulfilled the responsibility of the third line of defense for risk prevention and control.

VI. ENVIRONMENTAL ANALYSIS AND FUTURE PROSPECT

(1) Industry landscape and trend analysis

In terms of macro situation, in the short term, the interest rate hike policies adopted by various countries to curb inflation will continue due to inertia, and the momentum of the global economic growth tends to weaken. In the long run, a series of factors such as the Russia-Ukraine war, the US-China game and high inflation will have far-reaching impacts on the global economy, and the external environment will become more complicated and severe. At the same time, the polarization of economic growth between developed economies, emerging markets and developing economies will intensify. Domestically, due to a series of stabilizing policies to stabilize growth, the national economy continued to recover, with GDP (gross domestic product) growing by 5.2% year-on-year in 2023, showing an obvious trend of stabilization and recovery, and positive factors continued to accumulate. Looking forward to 2024, driven by the strengthening of macroeconomic policy support and the continuous development of the new quality productive forces, domestic demand will further recover, and the domestic economy will continue to recover and maintain stable growth.

From the perspective of regional development, Dongguan is in a growth rate shifting period, a painful period of structural adjustment and a period of early policy digestion, and structural problems and cyclical contradictions are intertwined. Despite many challenges and difficulties, Dongguan's economy still has strong resilience and vitality. The restructuring and upgrading of traditional industries and the cultivation of strategic new industries are accelerating, scientific and technological innovation and advanced manufacturing are integrating in depth, and new quality productivity is being generated at an accelerated pace, so Dongguan still has plenty of energy to realize high-quality development. In the long run, the new financial production function composed of "technology + finance + ecology" is gradually transformed into a real driving force, scientific and technological innovation, industrial upgrading, boosting domestic demand, and improving people's livelihood will also bring more new opportunities for the banking industry.

(II) Operation and management measures for 2024

In 2024, the Bank will adhere to the guiding ideology of "development as the first priority, innovation as the first driving force and talents as the first resources", focus on the core requirements of "adhering to positioning, accelerating reform and innovation, strengthening the long-term development, and improving competitive advantages", comprehensively improve customer services externally, and improve the speed of response to customer needs. Internally, the Bank will improve the internal mechanism, improve internal operation efficiency and quality, continuously accumulate new development momentum, and start the new five-year development plan of the Group with stable and solid operating results, iterative and complete system and mechanism, and high-spirited spirit.

(1) Comprehensively improve the quality and efficiency of financial services with a focus on stabilising growth

Based on the positioning and resource advantages of supporting agriculture and supporting small and micro enterprises, the Bank will deeply implement the "High-Quality Development Project" to provide higher-quality financial services for local economic and social development. **Firstly, the Bank will focus on "village community business + villagers' business" to fully support rural revitalization**. The Bank will vigorously carry out credit extension for the whole village, increase credit support for specific projects of the village community such as the transformation of the village community industrial park and the upgrading of old properties, continue to revitalise collective resources, and develop and strengthen the collective economy; the Bank will build a three-dimensional service system of "benefiting people's rights and interests", fully integrate financial services with the scenarios of villagers' daily needs, and assist in the upgrading of rural consumption. **Secondly, the Bank will focus on "town street business + resident business" to promote the coordinated development of urban and rural areas**. The Bank will deepen bank-government cooperation, continuously strengthen the marketing of special bonds, help promote the construction of modern industrial parks, and improve the service level of consumer loans and wealth management. At the same time, under the premise of controllable risks, the Bank will guarantee the support for real estate loans, and give priority to supporting development projects such as ordinary housing, affordable housing construction and urban village transformation based on the principle of meeting the rigid housing demand of local residents, so as to promote the virtuous circle of finance and real estate. **Thirdly, the Bank will focus on "scientific and technological innovation + advanced manufacturing" to help the development of Dongguan's urban characteristics**. By accelerating product research and development, process optimisation, and risk empowerment, the Bank will comprehensively serve the target customer group of "specialised, refined, differentiated and innovative enterprises + high-tech enterprises + doubled enterprises", and strengthen special credit support for technology enterprises and "specialised, refined, differentiated and innovative" enterprises. At the same time, the Bank will continue to increase the support for green loans, focus on supporting green and low-carbon industries such as energy conservation and emission reduction, pollution control and environmental protection, and new energy, strengthen the management of the use of green financial bonds and the proceeds from issuance of new shares, build a diversified green financial product system, and support the construction of green and beautiful Dongguan. **Fourthly, the Bank will focus on the innovation of inclusive financial services and fully support the development of the real economy**. The Bank will increase the support for inclusive finance, continue to reduce financing costs, make full use of policy tools, continue to leverage policy financial support such as re-lending, rediscount and re-lending, accurately introduce the monetary policy dividends to small and micro enterprises, and guide the further reduction of the interest rate of inclusive small and micro loans to help solve the financing problems of small and micro enterprises. The Bank will continue to strengthen product and service innovation, and promote the online and standardised transformation and upgrading of inclusive credit products based on customer needs. At the same time, the Bank will strengthen the construction of investment and research capabilities, promote the transformation of investment and research achievements, realise the benefiting from and for the customers, and continuously improve the quality and efficiency of financial services for the real economy.

(2) Focusing on risk prevention and striving to build a solid bottom line for safe development

The Bank will accelerate the implementation of the management model of "Risk-Driven + Risk Empowerment", optimise the risk management mechanism, strengthen high-risk credit management, and deepen internal control supervision and operational risk management. **Firstly, the Bank will optimise the risk management mechanism**. The Bank will improve the risk appetite management system, implement asset portfolio management, and integrate risk appetite management into daily operations; the Bank will improve the big data risk control platform, build general models such as credit customer access model and anti-fraud model, and online approval model for small and micro loans and personal loans to improve intelligent risk control; the Bank will promote the standardisation of credit products, optimise and clarify the operation requirements and risk control standards of each process node, and complete the cleaning and integration of existing credit business products; the Bank will optimise the credit approval process, increase the approval authority for credit business of branches and sub-branches, unify the Bank's credit business handling standards, and improve the efficiency of loan processing and risk control level. **Second, the Bank will strengthen high-risk credit management**. The Bank will comprehensively investigate high-risk and non-performing loans, implement list-based management of high-risk customers, promote the risk resolution of "one policy for one account" for large-value corporate loans and group customer loans, closely follow up the operation and risk changes of large-value group accounts, and prevent the deterioration of large-value group account risks from impacting the quality of credit assets. At the same time, the Bank will negotiate and adjust the repayment plan for customers with temporary difficulties, and implement corporate relief work. **Thirdly, the Bank will deepen internal control supervision and operational risk management**. The Bank will improve the compliance and case prevention mechanism, consolidate the main responsibilities of business risk control, risk investigation, supervision and inspection of the first line of defence, and effectively prevent and control financial risks; the Bank will promote grid-based management of employee behaviour and regular early warning of the system to improve the efficiency of employee behaviour investigation, establish and improve the supervision and evaluation mechanism and the problem rectification and supervision mechanism, and enhance the effectiveness of closed-loop management of internal supervision; through a series of measures such as strengthening pre-audit analysis, optimising supervision tools, and implementing on-the-job audits and flight audit mechanisms, the Bank will promote the sustainable, healthy and stable development of business operations with more effective audit supervision.

(3) *Focusing on promoting reform and planning a new chapter of transformation and development*

The Bank will insist on promoting business development through reform and innovation, take flat, professional and market-oriented as the main line, comprehensively deepen the reform of internal systems and mechanisms, accelerate digital transformation, enhance new development momentum, and reshape the core competitiveness of the Bank. **Firstly, the Bank will adhere to and strengthen the overall leadership of the Party**. The Bank will insist on leading high-quality development with high-quality Party building, give full play to the political core and leading core role of the Group's Party Committee, continue to improve corporate governance, and improve the Bank's modern financial enterprise system with Chinese characteristics. **Second, the Bank will improve the Group's strategic management system**. The Bank will build a closed-loop strategic management system of "strategic analysis — strategic planning — strategic implementation — strategic evaluation", strengthen the decoding and implementation of strategies, and build a strategic performance management system to ensure the orderly implementation of strategic planning. **Thirdly, the Bank will promote the implementation of digital transformation**. Focusing on the implementation of the new generation of core system engineering, the Bank will build a foundation for digital transformation of the Bank, continue to deepen the innovation and application capabilities of financial technology, and empower the improvement of intelligent risk control and product and service efficiency with the model of "business scenarios + data"; the Bank will improve the data management service system and enhance data governance and information technology risk management and control capabilities. **Fourthly, the Bank will comprehensively strengthen the Group's management**. The Bank will continue to improve the management mechanism of subsidiaries and management institutions, strengthen the Group's risk management and control, increase the Group's empowerment capacity, actively guide all institutions to take root in the local area, identify the development positioning, return to the source to support the local economy, improve the survival and development ability and operation management level, and further promote the coordinated development of the Group.

Chapter IV Environmental, Social and Governance

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 original aspiration to support rural revitalization, integrated industry and finance to promote regional development, developed green finance to support carbon peaking and neutrality goals, strengthened services to protect customer rights, 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 shared 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

Firstly, the Bank implemented the “High-Quality Development Project”. The Bank took the implementation of the “High-Quality Development Project” as the main line of coordinating work for a longer period of time in the future. Based on the actual development of the region and taking into account the characteristics of its business development, the Bank has formulated and launched the “Financial Support for the ‘High-Quality Development Project’ Initiative” to support the real economy as the basis, and to promote the coordinated development of the rural and urban areas by strengthening the supply of financial services. On the one hand, the Bank has further refined the “three major personnel stationing system” to serve village (community) grid for village revitalization, and has continued to carry out the work of “visiting villages, streets and alleys” to promote full coverage of the Bank’s financial services in villages. As of the end of the Reporting Period, 556 first-tier villages and communities and 2,195 village groups had established business partnerships with the Bank, with 98.96% of villages and communities (including village and groups) covered by customer services. A total of 1.29 million villagers in the city had opened financial accounts with the Bank, representing a coverage rate of 89.58%, and 349,500 villagers’ households had been filed with the Bank, representing a coverage rate of 96.52%. On the other hand, the Bank strengthened its liaison with Dongguan Agriculture and Rural Affairs Bureau, Dongguan Rural Collective Assets Management Office and other governmental organizations to grasp and collect information on the planning of projects at the upper level, with a focus on increasing credit support for the repurchase of properties of villages and communities, the construction of modern industrial parks, and the renovation and upgrading of properties. As at the end of the Reporting Period, the Bank had granted credit facilities of over RMB34,355 million to village groups (communities) and village collective enterprises in Dongguan.

Secondly, the Bank comprehensively enhanced the support and coverage of inclusive finance. As the main force of local finance, the Bank has always adhered to the main business positioning of supporting agriculture, supporting SMEs and supporting real economy, and has actively fulfilled the responsibility and mission of inclusive finance by launching a number of financial empowerment initiatives to promote social consumption, entrepreneurial development, as well as reform and innovation, and has done its utmost to support the high-quality development of real economy in Dongguan. As of the end of December 2023, the balance of full-caliber SMEs loans of the Bank was RMB163,657 million, representing an increase of RMB16,006 million over the beginning of the year, with the support for SMEs being strengthened significantly; 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 RMB40,474 million, representing an increase of 22.75% over the beginning of the year; and the number of customers, to which loans have been granted, was 21,500, representing an increase of 47 over the beginning of the year. The assessment target of "two increases" has been fully accomplished.

Thirdly, the Bank actively explored innovative means of inclusive financial services. Firstly, the Bank has built a professional, specialized and dedicated inclusive financial service team to promote in-depth management of line business; secondly, the Bank has established a diversified, multi-category and full-coverage inclusive product system, and comprehensively utilized inclusive featured products such as the "Overpayment Quick Loans (超抵快貸)", "Stable Business Loans (穩業貸)" and "Industry Support Loans (行業扶持貸)" to provide whole-life-cycle, multi-level and one-stop comprehensive financial services to SMEs; thirdly, the Bank has continued to optimize product empowerment, and perfected the inclusive credit process that is intensive, online and standardized, so as to effectively lower the costs of businesses for financing and enhance the experiences for their services; fourthly, the Bank has focused on the typical difficulties and high cost of financing for SMEs, and provided integrated services such as "Loan Renewal Services Free of Principal Repayment (無還本續貸)", "Policy Financing Guarantee", and "Dongguan Enterprises Reloan (莞企轉貸)" to support the steady development of SMEs through multiple channels, so as to continuously enhance the sense of financial accessibility, recognition and happiness of our inclusive finance customers.

Fourthly, the Bank has taken a number of measures to enhance the service support for inclusive finance customers. Firstly, the Bank fully supported the Dongguan development strategy of "manufacturing industry", proactively optimized integrated services for the advanced manufacturing industry, strengthened policy guidance on credit granting, and tilted more credit resources to key areas such as the advanced manufacturing industry, strategic emerging industries and small and micro-enterprises, so as to safeguard the leading position of small and micro-enterprises in the manufacturing industry in terms of credit granting; secondly, the Bank focused on the "technological innovation + advanced manufacturing" characteristics of Dongguan, strengthened credit support for science and technology innovation and the "specialised, refined, differentiated and innovative" enterprises, proactively responded to the national strategies such as those regarding the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the Guangzhou-Shenzhen Science and Technology Corridor, and actively applied a series of products such as "Industry Support Loans (行業扶持貸)" to meet the financing needs of new generation of electronic information, high-end equipment manufacturing, artificial intelligence and other cutting-edge emerging industry enterprises and the "specialised, refined, differentiated and innovative" enterprises; and thirdly, the Bank has strengthened support for start-ups by providing "Entrepreneurship Loan" with interest-free facilities and specialized services, so as to assist in the innovation and entrepreneurship development of Dongguan enterprises.

2. *Focus on industrial transformation and drive regional development*

The Bank has followed Dongguan's "14th Five-Year Plan" transformation and development, constantly explored and upgraded its industrial and financial service brands, comprehensively enhanced its ability to provide integrated financial services in key areas, and provided all-round, high-quality financial services to support industrial transformation and economic development in Dongguan. The Bank has focused on the Guangdong Province's financial support for the "High-Quality Development Project" to enhance the development of Dongguan's regional economy and new approach to urbanization, as well as to provide comprehensive financial services in the areas of industry cultivation and restructuring, the construction of modern industrial parks, and the development of specialty industries. As at the end of the Reporting Period, the balance of industrial finance loans of the Bank was RMB128,929 million. Among them, the Bank provided credit support of RMB48,363 million for various parks, and provided loans of RMB38,143 million to 197 parks with the balance of loans amounting to RMB24,501 million; provided credit support for 196 "specialised, refined, differentiated and innovative" enterprises, with a loan balance of RMB6,478 million, representing an increase of RMB1,131 million, or 21.15%, over the beginning of the year; and the balance of loans provided to support manufacturing and related industries was RMB60,704 million, representing an increase of RMB12,330 million, or 25.49%, over the beginning of the year, in which the balance of medium-and long-term loans provided to support manufacturing and related industries was RMB36,920 million, representing an increase of RMB7,528 million, or 25.61%, over the beginning of the year, and accounting for 60.82% of the balance of loans to the manufacturing and related industries.

In terms of investment banking business, the Bank, based in the local area and radiating to the Guangdong-Hong Kong-Macao Greater Bay Area, strongly supported the transformation and development of regional industries and promoted the high-quality local development. As of the end of December 2023, the Bank invested RMB3,087 million in bonds and non-standardized assets issued by enterprises in the Guangdong-Hong Kong-Macao Greater Bay Area through financial management funds to support the development of key areas in the region.

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

In terms of optimizing the service process, the Bank provided on-site and over-the-counter green finance channel services to special consumer groups such as the elderly and the mobility-impaired, and broadened the mode of service delivery to achieve comprehensive, convenient and warm financial services to meet their business needs and enhance the customer service experience. In terms of financial knowledge popularization, the Bank took the initiative to join hands with the Anti-Fraud Center to promote the latest fraud prevention and anti-fraud knowledge to the broad masses in the form of "tweets + short videos" through an innovative publicity mode of cooperation between the police and the banks to raise the awareness of anti-fraud of people and build a strong defense line against fraud. In terms of service optimization, the Bank has realized the "three-tax integrated" mode of payment of state and local taxes, customs duties and social security taxes through the connection of the horizontal networking system for finance, taxation, treasury and banks, and Guangdong horizontal networking system for finance, taxation, treasury and banks, which has further broadened the customer service scenario and enhanced customer satisfaction. In terms of standardized service management, the Bank monitored the service quality and efficiency of its business outlets on a bank-wide basis, focusing on the hardware environment, personnel services, customer experience and other dimensions of the outlets. Through the implementation of service standardization and standardized management, the Bank promoted the continuous transformation of network services in the direction of integration, scenization and humanization, promoted the comprehensive upgrading of customer experience, and strove to build a "Customer Satisfied Bank".

The Bank has transformed the "people-centric" philosophy of development into the "customer-centric" management concept; thinking in terms of the big picture of group development, and upholding the idea of "big consumer rights protection", the Bank improved its political standing, coordinated and planned scientifically, allocated resources reasonably, and continued to promote the improvement of the consumer protection work mechanism of "Whole Process & Whole-staff Undertaking, as well as Focusing on, Strengthening and Supervising Consumer Protection". As a basic requirement of adhering to the awareness of red line, bottom line and responsibility, the Bank has unified its thoughts and reached a consensus throughout the Bank to firmly establish the concept of "no small matter in consumer protection", and guided employees to play the role of "outpost" to prevent and resolve financial risks at source. The Bank continued to focus on consumer education and publicity, serve the overall situation of economic and social development, and act as a staunch defender of the legitimate rights and interests of financial consumers. Taking the opportunity of large-scale thematic activities such as "3·15 International Day for Protecting Consumers' Rights", "Holding on to Your Wallet", "Financial Knowledge for All" and "Education and Publicity Month for Financial Consumer Rights Protection", the Bank launched a series of thematic publicity and education activities targeting key groups such as "the old, the young, the weak, and the new". In 2023, a total of 222 publicity and education activities were held, covering 442,000 consumers, and 82 online publicity and education messages were published, reaching nearly 625,000 consumers. Through theme-based interaction, regular popularization of science and technology, three-dimensional dissemination and multi-dimensional promotion of financial knowledge, the Bank has been able to guide consumers to learn, understand, trust, and use finance, continuously improve their ability to protect their own rights and interests, and continue to enhance financial consumers' sense of accessibility, happiness, and security. In 2023, the Bank received a total of 1,316 customer complaints, and the complaint settlement rate reached 100%. This year, the Bank was awarded the "Advanced Unit of Financial Consumer Protection" from the Dongguan Central Sub-branch of the People's Bank of China, the "Unit with Outstanding Achievements in Financial Consumer Protection" by Dongguan Financial Consumer Rights Protection Association, and the "Honest and Trustworthy Enterprise" by the Dongguan Consumer Council, among other honors, which have been widely acclaimed by the public. (For more information on the Bank's protection of customers' rights and interests, please refer to the "Report of the Board of Directors — Consumer Rights Protection" section in this Report.)

(III) Support and Consolidate Poverty Alleviation for Public Welfare

As the main force of local finance, the Bank actively fulfilled its social responsibility, served and gave back to the society; besides, while providing financial services, the Bank actively provided assistance, comprehensively facilitated rural revitalization, and provided financial supports to economic and social development.

Firstly, the Bank assisted in education to enhance quality. To support the development of local education, the Bank initiated the establishment of the Dongguan Rural Commercial Bank Education Public Welfare Foundation in 2019. With the strong support from all walks of life, the Foundation has focused on improving the teaching environment of public schools, gave full play to the resource advantages of industrial foundations, and promoted the development of public welfare and charitable undertakings with practical actions, and has achieved great results. Since its establishment, the Foundation has successively launched the project of donating to public schools to support the construction of campus and the improvement of teaching facilities, the project of donating to the renovation of the revolutionary education base of Qianjin Primary School in Houjie Town, donating useful books to public schools through the activity of "Corridor of Books", and donating schoolbags to the public primary schools in Shatian Town of Dongguan and Songtao County of Guizhou Province, which continued promoted the project of "Reward the Gifted and Help the Needy". The Bank has been promoting public welfare and charitable causes by utilizing financial resources to help the fair development and quality improvement of education, and has always been contributing to public welfare.

Secondly, the Bank focused on public welfare and contributed to rural revitalization. The Bank actively responded to the call of the national rural revitalization strategy and strongly supported public welfare and beautiful village construction. In 2023, through the "6·30 Guangdong Poverty Relief Day & Dongguan Charity Day" activity platform, the Bank donated to 20 villages (communities) in 17 towns and streets, such as Machong Town and Xiegang Town, for the upgrading of the road in Dabu Village, Machong Town, and the construction of a new kindergarten in Nancheng Yayuan Community; and through the "6·30 Guangdong Poverty Relief Day" activity platform, the Bank helped Taiping Town of Mazhang District in Zhanjiang City and Xiangping Town of Liannan Yao Autonomous County in Qingyuan City in carrying out rural revitalization. The Bank has been fulfilling its mission of providing financial services to the people, actively carrying out its original mission of supporting agriculture, supporting SMEs and supporting real economy, and launching various public welfare activities around the financial services of each village and community, as well as supporting the upgrading of the environment of the old villages and the construction of public service infrastructures, so as to comprehensively contribute to the high-quality development of the village revitalization.

II. DEVELOP GREEN FINANCE AND SUPPORT DOUBLE-CARBON COMPLIANCE

(I) Develop Green Finance and Support Green Industries

The Bank continued to implement the "green finance development concept". Firstly, the Bank increased the credit reserve for green credit projects and continued to focus on supporting green and low-carbon industries such as energy conservation and emission reduction, pollution control and environmental protection, and new energy, while strictly prohibiting the entry of projects (enterprises) that do not comply with the environmental protection policy, so as to ensure the steady development of the scale of the Bank's green credit; secondly, the Bank strengthened the investment in credits for green and environmentally-friendly enterprises, actively responded to the strategic decision of "Peak Carbon Dioxide Emissions and Carbon Neutrality" of the State, and implemented various measures to support enterprises in the green environmental protection field, such as favorable policies, preferential interest rates and fast approval, so as to gradually increase the proportion of its green credit business; and thirdly, the Bank continued to innovate in green financial products and services, and has built a diversified system of green financial products. By improving the "Green Financing" integrated financial service programs for the environmental protection industry, the Bank has innovated and enriched its exclusive green financial products, and continued to strengthen its financial support for green environmental protection enterprises, pollution control enterprises, clean energy enterprises and other related enterprises. As at the end of the Reporting Period, the balance of green credit supported by the Bank was RMB13,047 million, representing an increase of RMB3,124 million or 31.48% over the beginning of the year. The Bank actively empowered the green finance sector by participating in the issuance and investment of green bonds, helping to gather financial resources for green and low-carbon industries. As at the end of 2023, the Bank had issued green financial bonds with a balance of RMB1.5 billion covering energy conservation and environmental protection, clean production, clean energy, and the green upgrading of infrastructures. As of the end of the Reporting Period, the balance of the Group's green bond investment amounted to RMB11.395 billion.

(II) Strengthen Green Review and Prevent Green Risks

During the Reporting Period, the Bank managed the full process of environmental and social risks, undertook environmental and social risk due diligence in a standard manner, and set reasonable limits of authority and reasonable procedure for credit approval based on the level of environmental and social risks of enterprises and projects. The Bank strictly applied the policies of no access and restricted access, and adhered to the "one-vote veto system. For enterprises that fail to meet environmental protection standards and enterprises of "high pollution, high energy consumption and overcapacity", the Bank strictly controlled the credit supply, forbade granting of new credit, and resolutely cut down and withdrew existing loans. The Bank made strict review on environmental impact assessment, strengthened the management of the environmental risk warning system, and promptly entered information on the enterprises that fail to pass the environmental impact assessment, that are on the black list due to poor performance in environmental protection, and that broke the law on environmental protection to avoid making loans to them.

The Bank continuously monitored environmental benefits. In conducting credit review of green projects, the Bank analyzed the feasibility study reports, environmental impact assessment reports, etc. in detail to reasonably predict the future environmental benefits of the projects. In conducting post-loan inspections, the Bank paid close attention to whether project progress met expectations and whether credit funds were used in compliance with relevant regulations. For projects that have been completed and put into operation, the Bank investigated whether there was significant deviation between the actual environmental benefits and that referred to in the project report, and strictly prevented green projects from emergence of risk issues, such as "unhealthy financial arbitrage" and "green washing".

(III) Promote Green Services and Realize Green Operation

The Bank has been actively practicing the concept of "green service and green office". In terms of business processes, the Bank has been vigorously promoting cloud banking remote services, implementing paperless and intelligent business modes, and through the completion of the upgrading and reconstruction of the seal inspection system, embedding e-certificates, e-seals and e-signatures into the business processes, the Bank has realized paperless business operation and reduced the use of paper certificates, thus fulfilling the social responsibility of low-carbon and environmentally-friendly protection, as well as green service. In terms of office processes, the Bank has implemented low-carbon and energy-saving office, gradually broadened the scope of applicable paperless meetings, significantly reduced the waste generated for material preparation, printing, binding, distribution, recycling, destruction and other links, and controlled the use of paper and consumables from the source.

III. IMPROVE GOVERNANCE LEVEL AND PROMOTE STABLE OPERATION

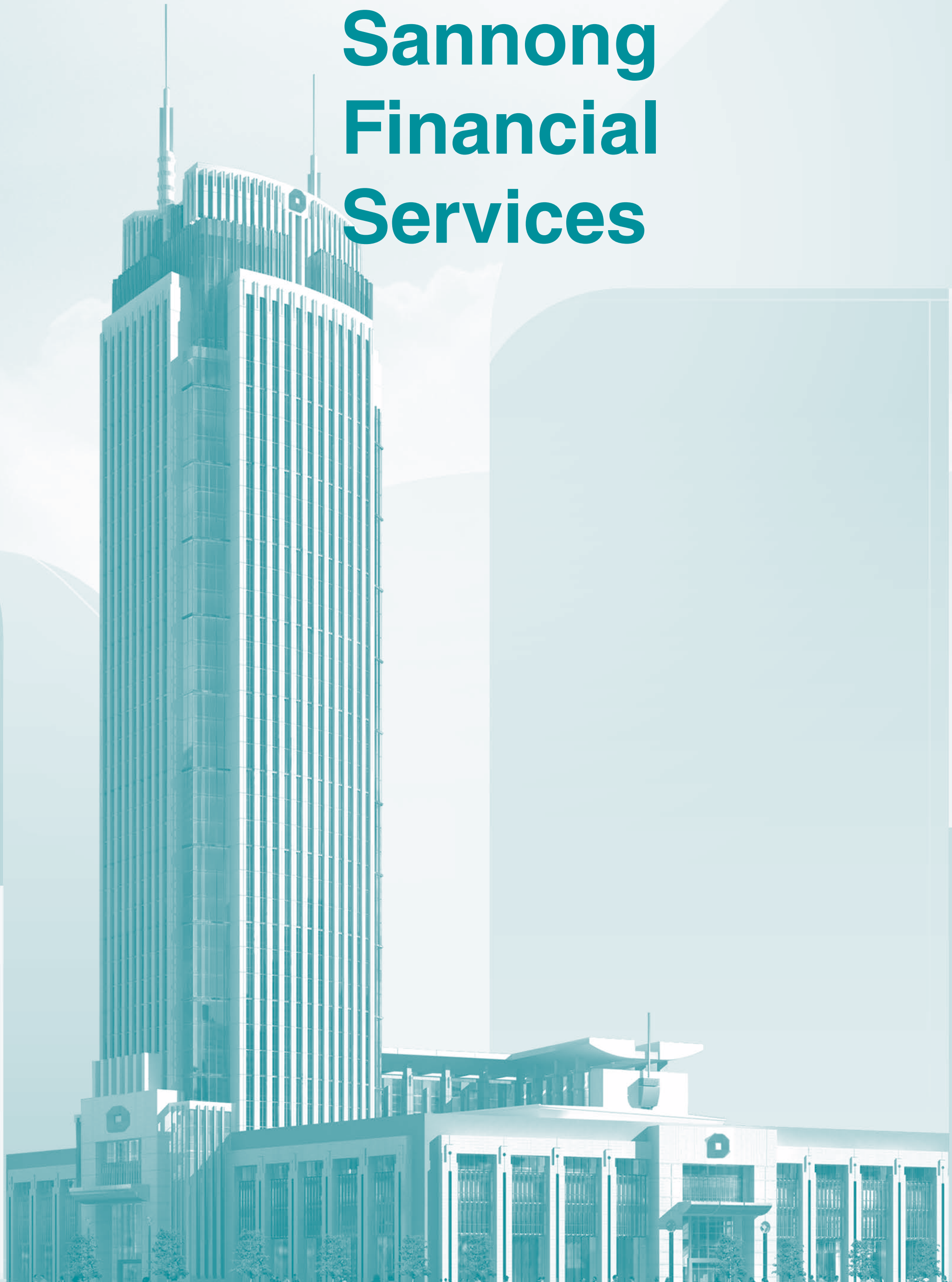
The Bank established a "five-pronged" governance mechanism for listed companies, which incorporates core leadership by the Party Committee, decision-making by the general meeting, strategic decision-making by the Board of Directors, supervision by the Board of Supervisors in accordance with laws, and implementation by the senior management. The mechanism defines the division of responsibilities and performance requirements of each governance entity. Based on the principles of independent operation, effective checks and balances, mutual cooperation and coordinated operation among each governance entity, the Bank improved risk control, established a reasonable incentive and restraint mechanism, and realized scientific decision-making, execution and supervision.

In order to fully realize the integration of the concept of social responsibility management 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, with the Board of Directors taking charge of the decision-making and management of ESG-related work, the ESG working group taking charge of the execution of the ESG-related work, and senior management taking charge of the implementation of the ESG-related work, which provides a strong mechanism to safeguard the long-term and stable development of the Bank.

During the Reporting Period, the Board of Directors of the Bank earnestly fulfilled its responsibilities related to the environment, society and governance such as Sannong financial services, green finance, consumer rights protection and social responsibility. The Board of Directors and relevant committees considered and approved relevant resolutions, such as Resolution on the 2022 Work Report of Sannong Financial Services of Dongguan Rural Commercial Bank Co., Ltd., Resolution on the 2022 Work Report of Consumer Rights Protection of Dongguan Rural Commercial Bank Co., Ltd., Resolution on the 2022 Social Responsibility Report (Environmental, Social and Governance Report) of Dongguan Rural Commercial Bank Co., Ltd., Resolution on the 2022 Work Report of Green Credit of Dongguan Rural Commercial Bank Co., Ltd., and Resolution on Formulating the Administrative Measures for the Protection of Consumer Rights and Interests (2023 Edition) of Dongguan Rural Commercial Bank Co., Ltd., 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 more details on the Bank's environmental, social and corporate governance, please refer to the "Corporate Governance Report" section of this Report and the 2023 Social Responsibility Report (the Environmental, Social and Governance Report) of Dongguan Rural Commercial Bank Co., Ltd. published by the Bank.

Chapter V Sannong Financial Services



As the agriculture-oriented main force of "Sannong" finance for rural revitalization, Dongguan Rural Commercial Bank has always adhered to the "Sannong" service concept and has been making every effort to promote the coordinated development of urban and rural areas taking into account the requirements for implementation of "The High-Quality Development Project Covering Every County, Every Town and Every Village" as proposed by the provincial CPC committee and government. In 2023, the Bank strengthened the supply of financial services, helped built an agricultural power, and constructed a livable, industrial, harmonious and beautiful countryside by implementing "combined measures", making known a "special brand", creating a "new benchmark" and winning the "initiative in the battle" and other key strategies while suiting the local "Sannong" conditions. All these efforts aim to provide financial support for a good start in building a socialist and modernized country. During the Reporting Period, the Strategic Decision and Sannong Committee of the Board of the Bank held 12 meetings, with over 45 "Sannong"-related proposals adopted. As of the end of December 2023, the balance of agriculture-related loans (regulatory caliber) reached RMB38.536 billion, an increase of RMB4.538 billion over the beginning of the year, including RMB6.509 billion of inclusive agriculture-related loans, an increase of 11.65% over the beginning of the year; in terms of "two increases and two controls", the balance of loans to SMEs with no more than RMB10 million credit line each (excluding discounted bills) was RMB40.474 billion, an increase of 22.75% over the beginning of the year. The number of customers was 21,500, an increase of 47 over the beginning of the year. In addition, the interest rate of new SMEs loans in 2023 was 4.23%, a decrease of 0.52 percentage points from that in 2022, and the non-performing rate of inclusive loans to SMEs was 1.51%, which was controlled within the level of no more than 3 percentage points of various loans.

I. PAYING CLOSE ATTENTION TO NATIONAL POLICIES AND PLAYING A GOOD ROLE IN IMPLEMENTING "COMBINED MEASURES" FOR RURAL REVITALIZATION

(I) Focusing on Hot Topics and Fully Implementing "The High-Quality Development Project Covering Every County, Every Town and Every Village"

The Bank will take the implementation of "The High-Quality Development Project Covering Every County, Every Town and Every Village" as the emphases of work for a longer period of time in the future, and take advantage of the momentum to promote the high quality development of the Bank's business. To this end, based on the Bank's actual situation and in conjunction with the Bank's business development characteristics, the Bank has formulated and implemented the "Action Plan of Financial Support for The High-Quality Development Project Covering Every County, Every Town and Every Village". This is aimed at promoting a new landscape of highly integrated development between urban and rural regions by focusing on the support of the high-quality development of the real economy, following the strategy of rural revitalization and coordinated regional development, and strengthening the supply of financial services.

(II) Optimizing the Mechanism and Establishing an Innovative "Empowerment Team"

In order to strengthen organizational leadership, highlight the guidance of Party building, and continue to enhance the financial support for urban-rural integration and coordinated regional development, the Bank has further optimized its working mechanism and innovatively established a dedicated "empowerment team", which is led by the president of the Bank, with the business director or department head as the leader, and the officer at the rank of chief assistant or above as the deputy leader, and selected officers or business cadres with stronger business ability as team members. Specialized personnel are connected to each sub-branch, going down to the grass-roots units, focusing on the government, villages, enterprises and villagers together with the sub-branches, addressing issues encountered by the sub-branches as a top priority, and working on practical matters to strengthen the empowerment.

(III) Enhancing Coverage and Working More on "Visiting Villages, Streets and Alleys"

The report of the Party's 20th National Congress pointed out that "comprehensively promoting rural revitalization cannot be achieved without the effective support of rural finance", and the Bank further refined the village (community) service grids of "three major personnel", i.e. rural revitalization financial instructors, Party building and co-construction liaisons, and inclusive financial service personnel, and continued to carry out the work of "visiting Villages, Streets and Alleys". Through Party building activities with towns, subdistrict offices and villages (communities) and villagers in Dongguan, the Bank publicized the national rural revitalization strategy and the Bank's latest rural revitalization financial services among villages (communities) and villagers, with an aim to promote the full coverage of the Bank's rural financial services. As of the end of December 2023, 556 first-tier villages and communities and 2,195 village groups had established business partnerships with the Bank, with 98.96% of villages and communities (including village groups) covered by customer services. 1.29 million villagers in the city had opened financial accounts with the Bank, representing a coverage rate of 89.58%, and 349,500 village households had been registered with the Bank, representing a coverage rate of 96.52%.

(IV) Consolidating Resources and Tilting Them in Favor of the Development of "Sannong"

The Party Committee of the Bank made visionary plans to transform policy opportunities into business development opportunities by implementing "The High-Quality Development Project Covering Every County, Every Town and Every Village" for inclusive financial services across the Bank. Specifically, the Bank focused on a number of key business indicators in towns and villages, formulated a special assessment program for financial services to support business development in towns and villages, and assessed and evaluated the implementation and effectiveness of relevant work. Meanwhile, the Bank further optimized the allocation structure of business development expenses, increased the investment in the business development expenses of towns and villages (communities), and enhanced the support of financial expenses, so as to further promote the high-quality development of rural revitalization.

II. STIMULATING FINANCIAL VITALITY AND MAKING KNOWN THE "SPECIAL BRAND" OF AGRICULTURE AND RURAL AREAS

In order to promote the high-quality development of the city, towns and villages, and to better solve the unbalanced and insufficient development of urban and rural areas from a new starting point, the Bank, closely following the rural revitalization strategy put forward in the report of the Party's 20th National Congress, has further strengthened the firmness and conscientiousness in implementing the rural revitalization strategy. Combined with the business characteristics, the Bank co-ordinated its advantages and resources to further promote the modern "Sannong" financial services to a higher level and a higher quality.

(I) Making Every Effort to Help Revitalize the Modern Agricultural Industry

Firstly, the Bank actively participated in social organizations for rural revitalization and improved the matching mechanism for financing services of the "Sannong" industrial chain. During the Reporting Period, the Dongguan Rural Revitalization Association and its member units elected the Bank to be the new president, and worked together to efficiently promote the implementation of "The High-Quality Development Project Covering Every County, Every Town and Every Village" and fully facilitate rural revitalization. At the next stage, the Bank will assume the responsibility of the presidential unit, fully integrate and utilize the Bank's advantages in financial resources, extend its services in a wide range of areas, and provide professional financial support for member units and the upstream and downstream of the industrial chain, so as to jointly inject a strong momentum into the Dongguan "The High-Quality Development Project Covering Every County, Every Town and Every Village" and the development of the modernized agricultural industry.

Secondly, the Bank gave full play to the guiding role of financial resources to promote the upgrading of the agricultural industry. During the Reporting Period, the Bank continued to develop in-depth cooperation with the Dongguan Bureau of Agriculture and Rural Affairs, to quickly connect with newly-accredited "Leading Agricultural Enterprises in the City", and to act as a financial provider with the courage to take on the responsibility of providing the first loan for the first cooperation in the light of the development needs of the enterprise. The Bank continued to support the provincial and municipal leading agricultural enterprises and their upstream and downstream small and medium-sized enterprises or individuals with "Agricultural Leading Loans (農業龍頭貸)", and drove the healthy and vigorous development of the agricultural industry chain. As of the end of December 2023, the Bank cumulatively supported 20 provincial and municipal leading agricultural enterprises, an increase of 7 enterprises over the previous year, with a loan balance of RMB1.097 billion.

Thirdly, with the goal of meeting various financing needs, the Bank built a full-coverage inclusive financial product system to fully support the growth of small and micro-enterprises involved in agriculture. The Bank tailored the "Litchi Loan (荔枝貸)" for this specialty fruit of Dongguan to satisfy the loan needs of market players in all segments of the litchi industry. The Bank launched the medium-and long-term loans — "Stable Business Loans (穩業貸)" to provide sustainable and stable capital assistance to agricultural enterprises. As of the end of December 2023, the balance of "Stable Business Loans" was RMB2.673 billion, of which 131 rural households were supported. The Bank served the high-value mortgage-based customer groups at villages through the online mortgage product "Overpayment Quick Loans (超抵快貸)". As of the end of December 2023, the balance of "Overpayment Quick Loans" was RMB4.917 billion, of which 726 rural households were supported. Using the "Industry Support Loans (行業扶持貸)", the Bank supported the development of agricultural high-tech enterprises and multiplier enterprises, accelerated the pace of rural technological innovation and digital economic development. As of the end of December 2023, the balance of "Industry Support Loans" was RMB691 million, of which 129 small and micro customers were supported.

(II) Fully Implementing Various Measures to Help Modern Rural Areas Become More Livable and Workable

Firstly, the Bank fully supported the construction of rural infrastructure. Strengthening the construction of modern rural infrastructure is a key task in expanding effective investment and stabilizing the economy, and is closely related to the deployment of the strategy of fully promoting rural revitalization. During the Reporting Period, the Bank actively supported the construction of rural infrastructure by focusing on key projects such as regional road construction, network power supply, water supply safety, garbage management, etc. and weak links. The Bank continued to innovate financial products and strengthen financial service support to promote the continuous improvement of rural infrastructure, laying a solid foundation for the development of rural agriculture and industry, and building a beautiful and livable countryside. As of the end of December 2023, the balance of the Bank's loans to support rural infrastructure was RMB1.663 billion, an increase of RMB210 million from the beginning of the year.

Secondly, the Bank fully supported the construction of modern industrial parks. Industrial revitalization is the most important part of rural revitalization, and it also serves as an effective way to adjust the economic structure, promote changes in the mode of development, and create a new high ground for the economic development of "Sannong". During the Reporting Period, the Bank grasped the development opportunity of "The High-Quality Development Project Covering Every County, Every Town and Every Village" to implement specialized support policies, set up professional service processes and formulate dedicated financing solutions. The Bank strengthened the service concept featuring "dedicated policy for targeted park" by providing tailor-made professional and efficient integrated financial services for modern industrial parks. This aimed to deepen the "financial services + parks + enterprises" mechanism of interest, stimulate the development of the park vitality, and facilitate the stable and efficient operation of "Sannong economies". As of the end of December 2023, the Bank had cooperated with 197 modern industrial parks in the city, granting financial credits amounting to RMB48.363 billion with a loan balance of RMB24.501 billion.

Thirdly, the Bank fully supported the growth and development of rural collective economy. Promoting the high-quality development of rural collective economy is an inevitable measure to deepen the "Sannong" service mechanism and to drive rural revitalization in a comprehensive manner. During the Reporting Period, the Bank, following the requirements of inclusive financial service action for "The High-Quality Development Project Covering Every County, Every Town and Every Village", innovatively formulated a flexible program for granting credit to rural collective economies, allocated credit limits in grades according to the overall situation of villages and communities under its jurisdiction, and proactively granted credit to villages and communities under its jurisdiction for the purpose of liquidity financing. Meanwhile, the Bank optimized the credit granting process of fixed asset investment loans to the upgrading and renovation of collective factory property, the "industrial transformation (工改工)" project and the beautiful countryside construction by village groups and collective enterprises, adding "acceleration" to the financing needs of villages and communities. As of the end of December 2023, the Bank had achieved 100% coverage of liquidity credit to villages and communities, and had cumulatively granted credit of over RMB34.355 billion to village groups (communities) and village collective enterprises in Dongguan.

Fourthly, the Bank gave full support to the rural collective economy to broaden its investment channels. Under the guidance of the Dongguan Bureau of Agriculture and Rural Affairs, the Bank has actively implemented the work plan of the Municipal Party Committee and Municipal Government on promoting the diversified and effective utilization of village group collective funds, explored new dynamics of financial assistance for the economic development of "Sannong", and innovatively introduced villages and communities to the market for equity participation. The Bank diversified the investment channels for village and communities' funds by facilitating eligible villages and communities to purchase some of the Bank's Shareholders' transferred shares. As of the end of December 2023, the Bank had assisted 19 villages and communities in 6 towns and subdistrict offices to accomplish the goal of diversifying their capital investments, thereby effectively promoting the development of rural revitalization to a new level.

Fifthly, the Bank achieved full coverage of rural financial services outlets. In order to continuously improve the quality of rural financial services, the Bank took measures in terms of the rural outlets planning, the service channel broadening of rural outlets and the improvement of "Sannong" customer service experience to provide basic guarantee for rural financial development. The Bank has become the financial institution with the largest number of outlets and the widest service coverage in Dongguan. As of the end of December 2023, the Bank has installed 798 self-service devices and 553 smart devices at all towns of Dongguan and has had nearly 100 business scenarios supporting financial services so that the 24-hour financial services are generally available at all outlets in Dongguan, and can effectively meet the usual financial needs of rural customers.

(III) Wholeheartedly Assisting Modern Farmers to Be Affluent and Well-off

Firstly, the Bank deepened the "butler-like (惠民管家)" financial services. The Bank has always adhered to the two main lines of "village groups + villagers". That means the Bank took good services to villagers as a key to promote the economic development of "Sannong" and provided "door-to-door" services and "butler-like" services to villagers by solidly promoting "village visits". Meanwhile, the Bank constantly improved the convenience of financial services and increased business coverage. With wealth management business and exclusive loan products for villagers, the Bank further optimized villagers' household assets and "helped" villagers to improve the quality of life with a view to becoming the "butler" around the villagers.

Secondly, the Bank stimulated "re-innovation" of credit card themed with rural revitalization. During the Reporting Period, with the design concept of "one impression for one village, one card as one business card", the Bank continued to create special designs for credit cards themed with rural revitalization by embodying the characteristic attractions of Dongguan and the QR code of "scanning code to know countryside conditions (掃碼知鄉情)" with a view to presenting the image of Dongguan's beautiful countryside and spreading its cultural connotation. In addition, on the basis of the traditional credit card themed with rural revitalization, the Bank innovatively launched the youth "X" card and "All Is Well (萬事如意卡)" card for rural revitalization. The Bank also offered relevant credit card installment plans on a "village-specific price" basis, and applied preferential pricing policy for the customer base of each village group to serve the daily consumption needs of "Sannong" customer base with more comprehensive coverage and richer benefits. As of the end of December 2023, the Bank created special card designs for 58 village groups (communities) in Dongguan and issued a total of 55,800 credit cards with the theme of rural revitalization, an increase of 9,600 credit cards from the beginning of the year.

Thirdly, the Bank helped improve the social security system in rural areas. To comprehensively promote rural revitalization, it is not only necessary to safeguard the villagers' "money bags", but also to make efforts to enhance the villagers' health. Therefore, enhancing the mechanism for protecting the customer base of "Sannong" is also a crucial and important way to consolidate the results of poverty alleviation and implement the strategy of rural revitalization. During the Reporting Period, the Bank, actively responding to the request of the Dongguan Municipal Government, promoted "Guanjiafu (莞家福)", an inclusive commercial health insurance policy customized for "Sannong" customer base, and assisted the Dongguan Municipal Healthcare Security Administration in popularizing the insurance for the benefit of the people. As of the end of December 2023, the Bank had delivered a total of RMB114.225 billion of medical coverage to 38,075 "Sannong" customers, fulfilling its original intention of benefiting the people and ensuring their well-being, and escorting more villagers in their family's happiness.

III. DEEPENING DIGITAL EMPOWERMENT AND CREATING A "NEW BENCHMARK" FOR SANNONG DEVELOPMENT

Promoting rural revitalization with the development of digital economy is not only an important way to implement the rural revitalization strategy, but also the contemporary need for the development of "Sannong". In this regard, the Bank thoroughly implemented the new development concept, actively explored effective ways and methods of financial service support for "Sannong", and identified the entry point and breakthrough of financial service for "Sannong". Moreover, the Bank continued to strengthen financial support for key areas and weak links of financial services for "Sannong", so that digital finance "living water" moistened rural revitalization.

(I) Enhancing the Quality of Products and Services by Digitalization

Firstly, the Bank met the various credit needs of villagers with flexible credit granting. To help improve the living environment of the whole region, the Bank made every effort to promote rural construction, renovation of private houses and upgrading of the landscape. During the Reporting Period, the Bank adhered to the "two grassroots coordination mechanism" (i.e. "grassroots village group and grassroots banking outlet"), and continuously optimized the credit-granting mechanism by focusing on villagers' individual credit needs. Taking the "Rural Revitalization Villagers Loan (鄉村振興村民貸)" as an important tool to solve the problems of villagers, such as "difficult financing, expensive financing and complicated financing", the Bank aimed to satisfy the diversified and personalized financing needs of modern farmers in housing construction, renovations and consumption, so as to enhance villagers' life quality in a practical manner. As of the end of December 2023, the balance of the "Rural Revitalization Villagers Loan (鄉村振興村民貸)" amounted to RMB6.656 billion, representing an increase of RMB4.562 billion or 217.81% over the beginning of the year.

Secondly, the Bank innovatively established a rural financial settlement system for the "last meter" delivery. In order to further improve the work efficiency of village group collection and the convenience of public payment, and effectively complete the "last meter" delivery of financial services to villagers, the Bank fully integrated resources and built a three-pronged settlement system for three types of business, i.e. "bulk collection of social security contribution", "D-Payment" and "Easy Village Payment (村繳易)". As of the end of December 2023, the Bank provided online rent collection services for 536 villages (communities) in Dongguan, with a coverage rate of 96.40%, generating a total cash flow of RMB8.547 billion.

Thirdly, the Bank optimized the "Good Easy Rent (好易租)" smart platform to eliminate the "rural digital divide". The Bank insisted on effectively connecting the villagers as landlords with the Bank's customers as potential tenants. This represented a pioneering ecological model of "finance + rural scenarios + services" and enhanced the experience of rural revitalization financial services with the digitalization engine. During the year, the Bank conducted on-site and online surveys to collect evaluations and opinions on the use of "Good Easy Rent", and optimized its performance based on the survey results and product comparisons with peers. The Bank offered a new fee tool that is simpler to apply for, more convenient to use, and with minimal costs for "Sannong" customers. As of the end of December 2023, the "Good Easy Rent" platform served a total of 13,872 customers, and generated a total cash flow of RMB825 million.

Fourthly, the Bank created an online marketing platform to facilitate the distribution of agricultural supplies and agricultural by-products. The Bank further explored the new business mode of "Internet +" and contributed to the high-quality development of rural revitalization by continuously optimizing its online products and services. During the Reporting Period, the Bank innovated in the mobile banking to create a special area for rural revitalization assistance to farmers, starting with rural characteristic tour and taste of special food. Relying on the high-frequency traffic scene of online channels, the Bank developed sales channels for farmers and agricultural enterprises, put on the shelves of green ecological and high-quality agricultural products directly supplied by the origin, and promoted the consumer finance scene of credit card themed with rural revitalization. To provide users with life services covering food, clothing, housing and transportation and convenience services, the Bank embedded investment and wealth management, payment and settlement, payment and loan services in scenarios with a view to providing inclusive financial services for villagers, village groups and other customers and contributing to rural revitalization and development.

(II) Carrying out Digital Financial Innovation with Outlets as "Test Field"

In order to drive the development of the digital economy, stabilize the development of financial technology, and accelerate the implementation of dual strategy "digital transformation" and "outlet transformation and upgrading", the Bank proactively adapted to the new normal state of the economy by further exploring the 5G application scenarios, extending the reach of services, and enhancing service efficiency. During the Reporting Period, on the basis of completing the first three-year development plan of the third transformation, the Bank identified the pain points and difficulties in digital transformation, innovated to build "5G digital outlets" with intelligence, technology and special features, and enhanced the quality of digital financial services to the rural areas through the win-win development of customers in business circles. The Bank remained committed to providing high-quality and convenient digital financial services for rural revitalization in a sustainable and efficient manner, so that the achievements of innovative technology and finance can benefit the society and people's livelihood.

IV. WINNING THE "INITIATIVE IN THE BATTLE" ON SOCIAL RESPONSIBILITY BY TAKING RELIEF MEASURES FOR ALLEVIATING DIFFICULTIES

In the rural revitalization strategy, consolidating the achievements of poverty alleviation is a core task and an important part of building a modern socialist country in an all-round way. The Bank has earnestly fulfilled its social responsibilities by solidly serving the real economy, strengthening inclusive financial supply, and further carrying out poverty alleviation with financial support. This represents that the Bank fulfilled its mission of financing "Sannong".

(I) Leveraging Policy Tools and Practicing Initiatives to Support Agriculture and Benefit Farmers

Firstly, the Bank gave full play to the role of refinancing funds in stabilizing the economy and facilitating rural revitalization. During the Reporting Period, the Bank actively connected with the People's Bank of China and leveraged monetary policy tools to promote more low-cost financial resources to "Sannong" by using funds of "Sannong Supportive Reloan" and "refinancing loans for supporting SMEs". As of the end of December 2023, the Bank applied for 12 refinancing loans for supporting SMEs totaling RMB11.727 billion and 5 "Sannong Supportive Reloans" totaling RMB149 million.

Secondly, the Bank issued special financial bonds for "Sannong", "targeting" to help rural revitalization. The implementation of the rural revitalization strategy is inseparable from the overall guarantee of funds. The Bank continued to improve the service quality of "Sannong" special bonds and issued RMB1 billion of "Sannong" special financial bonds this year. As of the end of December 2023, the Bank's stock of special financial bonds for "Sannong" was RMB1 billion, and the funds raised has been used as agricultural-related loans amounting to RMB701 million, with a loan balance of RMB699 million and a total of 44 loans issued.

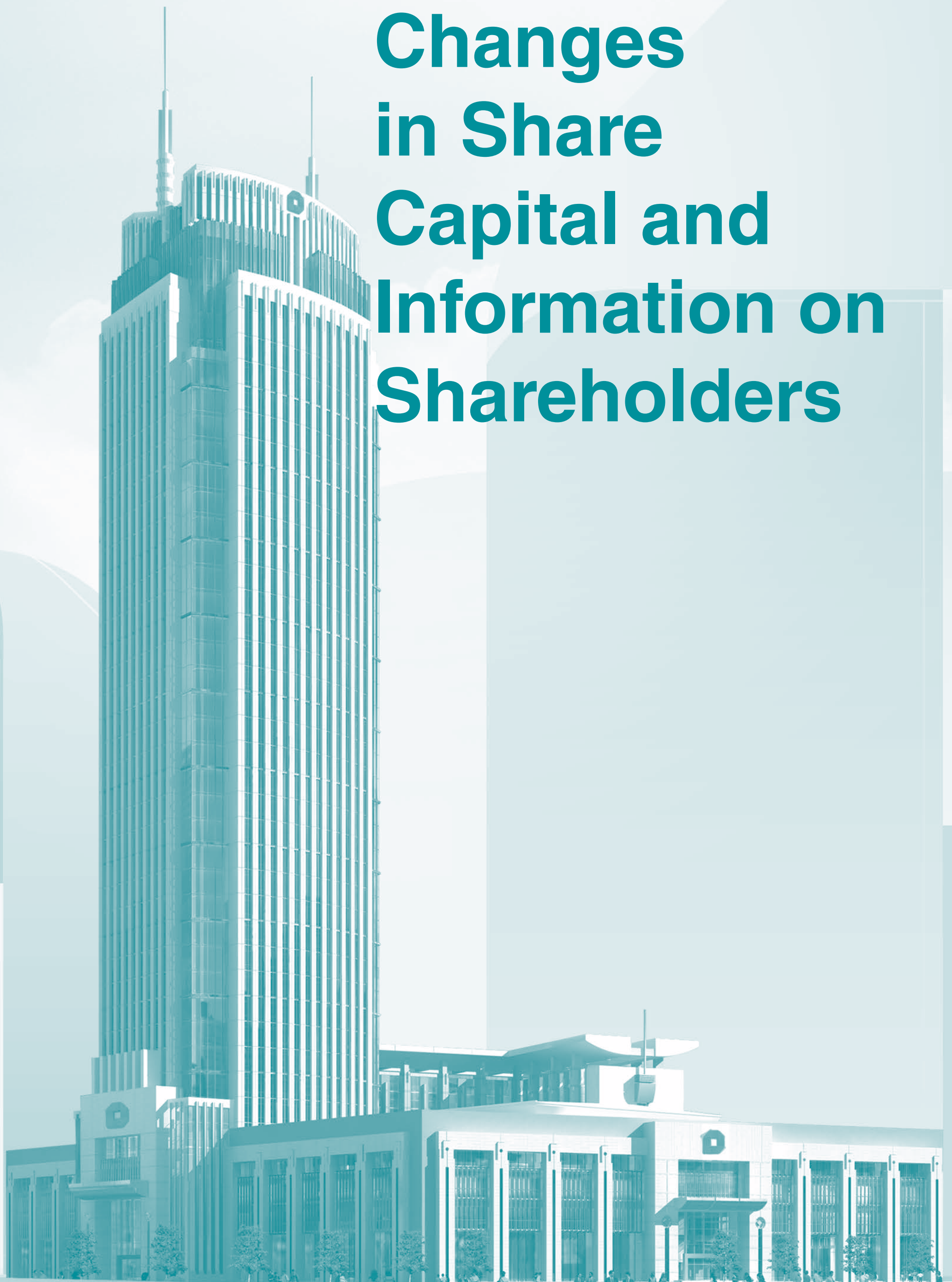
Thirdly, the Bank took the boat of "Entrepreneurship Loan (創業貸)" for the new rural revitalization. Supporting agriculture and SMEs is an important way to stabilize the economy and employment. This year, the Bank has once again been qualified to provide "Petty Entrepreneurship Loan", and will continue to offer the most affordable financial services to "Sannong" entrepreneurial customer base. As of the end of December 2023, the Bank had cumulatively granted entrepreneurial loans totaling RMB363 million to 1,299 customers, with a current loan balance of RMB667 million, supporting 2,293 entrepreneurs in Dongguan. The Bank effectively helped entrepreneurial development of start-up enterprises, individually owned businesses and other key groups in Dongguan with a view to promoting the realization of the strategic goal of "stabilizing enterprises, industries and employment" in the countryside.

(II) Financial Initiatives for Relief and Poverty Alleviation to Actively Fulfill Social Responsibilities

The Bank fully fulfilled its responsibility as the mainstay of local finance and its original mission of supporting agriculture and SMEs. Over the years, the Bank has continued to carry out public welfare activities around the financial services of village groups and communities to promote rural revitalization in an all-round way. In 2023, the Bank donated a total of RMB2 million to 20 villages and communities such as Caibian, Dalang and Jiaoli, Zhongtang through "Guangdong Poverty Relief Day & Dongguan Charity Day" activities, including projects to enhance the environment of old residences in Jinzhou, Humen, to assist in the upgrading and reconstruction of the road in Dabu Village, Machong Town, and to build a new kindergarten for the Nancheng Yayuan Community, which have further improved the living environment of the villages and communities and practically enhanced the villagers' sense of gain and happiness.

In 2023, competition in the rural market will intensify with the entry of industry players. In 2024, the Bank will promote "The High-Quality Development Project Covering Every County, Every Town and Every Village" as the emphases of work for a longer period of time in the future. Adhering to the tenet of "not yielding any inch of the rural market, and fighting for every inch of the market", the Bank strengthened the horizontal and vertical linkage, so that it can make the "Sannong" market share larger and stronger, and enhance the quality of the "Sannong" financial segment by overcoming any difficulty, holding our position and seeking progress while ensuring stability. This will make a solid contribution to the Bank's newly-planned development blueprint.

Chapter VI Changes in Share Capital and Information on Shareholders



I. CHANGES IN SHARES

(I) Share Capital

During the Reporting Period, there was no change in the Bank's share capital. As of 31 December 2023, the Bank had a total of 5,740,454,510 Domestic Shares in issue, representing 83.33% of the total Shares, including 1,368,245,155 Shares held by the legal person, representing 19.86% of the total Shares; 3,889,060,859 Shares held by the public natural person, representing 56.46% of the total Shares; and 483,148,496 Shares held by staff members, representing 7.01% of the total Shares. 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 ordinary Shares of the Bank are as follows:

(Unit: Shares)

	As at 31 December 2022		Increase (decrease) during the period	As at 31 December 2023	
	Number	**Percentage (%)**	Number of changes	Number	Percentage (%)
Domestic Shares	**5,740,454,510**	**83.33**	—	5,740,454,510	83.33
Domestic Shares held by legal persons	**1,361,799,326**	**19.77**	6,445,829	1,368,245,155	19.86
Domestic Shares held by natural persons	**4,378,655,184**	**63.56**	(6,445,829)	4,372,209,355	63.47
Including: Shares held by staff members	**483,148,496**	**7.01**	—	483,148,496	7.01
Overseas listed foreign Shares (H Shares)	**1,148,091,000**	**16.67**	—	1,148,091,000	16.67
Total	**6,888,545,510**	**100.00**	—	6,888,545,510	100.00

Notes:

(1) As at the end of the Reporting Period, there were 57,478 Domestic Shareholders. 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.

(2) As at the end of the Reporting Period, 5,348,579 Domestic Shares were involved in judicial freezing, representing 0.08% of the total Shares.

(3) 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 during the Reporting Period and as of the Latest Practicable Date, in compliance with the requirements under the Listing Rules as modified by the aforementioned waiver.

(III) Issuance of Securities

During the Reporting Period, the Bank did not issue any new Shares.

II. SHAREHOLDING STRUCTURE

(I) Number and Shareholdings of Shareholders

As of 31 December 2023, the total number of Shares of the Bank was approximately 6,889 million Shares, included 5,740 million Domestic Shares and 1,148 million H Shares. There were 93 Domestic Shares legal person shareholders holding approximately 1,368 million Shares, representing 19.86% of the total Shares; and 57,385 Domestic Shares natural person shareholders holding approximately 4,372 million Shares, representing 63.47% of the total Shares.

(II) Top Ten Shareholders as at the End of the Reporting Period

As of 31 December 2023, the total shareholding of the ten largest Shareholders of the Bank was 29.94%, among which the shareholding ratio of Domestic shareholders did not exceed 5%, and the shareholding structure was relatively decentralised. Among the Domestic Shareholders, the largest Shareholder was Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司), holding 4.34% of the total Shares; 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 Shares; 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 Shares. All of these top three Domestic Shareholders were private enterprises.

As of 31 December 2023, shareholdings of the ten largest Shareholders were as follows:

No.	Name	Class of Shares	Nature of Shareholders	Number of Shares (share)	Percentage of the Bank's issued Shares[2] (%)	Changes of shares during the Reporting Period
1	HKSCC Nominees Limited[1]	H Shares	Others	1,148,047,910	16.67	-80
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 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	—
6	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	70,468,873	1.02	-12,000,000
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				**2,062,377,635**	**29.94**	

Notes:

(1) HKSCC Nominees Limited held a total of 1,148,047,910 H Shares of the Bank on behalf of various clients, representing approximately 16.67% of the total issued share capital of the Bank. HKSCC Nominees Limited is a member of the Central Clearing and Settlement System of the Hong Kong Stock Exchange and provides registration and custody services for clients.

(2) Based on the total issued Shares 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" in the "Corporate Governance Report" section of this Report.

(IV) Shareholding of Staff Members

As of 31 December 2023, the Bank had a total of 3,022 employee Shareholders, holding approximately 483 million Shares (excluded 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 of 31 December 2023, according to the register of shareholders 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, Supervisor or chief executive of the Bank, had an interest or short position in the Shares, the underlying Shares or debentures of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to divisions 2 and 3 of Part XV of the SFO.

Name of Shareholders	Capacity	Class of Shares	Number of Shares[1] (share)	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of interest in the Bank (%)
Mr. Guo Huiqiang (郭惠強)	Interest in controlled corporation[2]	Domestic Shares	299,246,910 (L)	5.21	4.34
Ms. Yang Miaoxia (楊妙霞)	Interest of spouse[3]	Domestic Shares	299,246,910 (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
Caitong Securities Co., Ltd.* (財通證券股份有限公司)	Interest in controlled corporation[4]	H Shares	178,311,000 (L)	15.53	2.59
Caitong Fund Management Co., Ltd.* (財通基金管理有限公司)	Others[5]	H Shares	178,311,000 (L)	15.53	2.59
Yam Tak Cheung (任德章)	Interest in controlled corporation[6]	H Shares	149,100,000 (L)	12.99	2.16
Scoperto Limited	Beneficial owner	H Shares	149,100,000 (L)	12.99	2.16

Name of Shareholders	Capacity	Class of Shares	Number of Shares(1) (share)	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of interest in the Bank (%)
State-owned asset 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(7)	H Shares	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(7)	H Shares	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(7)	H Shares	126,262,000 (L)	11.00	1.83
Fook Man Development Company Limited* (福民發展有限公司)	Beneficial owner	H Shares	126,262,000 (L)	11.00	1.83
Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司)	Investment manager	H Shares	103,874,000 (L)	9.05	1.51
Central Huijin Investment Ltd. (中央匯金投資有限責任公司)	Interest in controlled corporation(8)	H Shares	60,000,000 (L)	5.23	0.87
Agricultural Bank of China Limited (中國農業銀行股份有限公司)	Interest in controlled corporation(8)	H Shares	60,000,000 (L)	5.23	0.87
ABC International Holdings Limited (農銀國際控股有限公司)	Interest in controlled corporation(8)	H Shares	60,000,000 (L)	5.23	0.87
ABCI Investment Management Limited (農銀國際投資管理有限公司)	Interest in controlled corporation(8)	H Shares	60,000,000 (L)	5.23	0.87
Cozy Pony Limited (駿熹有限公司)	Person having a security interest in shares	H Shares	60,000,000 (L)	5.23	0.87

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 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 as interest held by Caitong Fund Management under the SFO.
5. 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 plans of its clients.
6. 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 under the SFO.

7. 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 (東莞市福民集團公司), which in turn is wholly owned by Dongguan City Transportation Investment Group Co., Ltd. (東莞市交通投資集團有限公司), 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 Asset 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 interested in all the Shares held by Fook Man Development Co., Ltd under the SFO.
8. According to the information provided by Central Huijin Investment Ltd., Cozy Pony Limited is wholly-owned by ABCI Investment Management Limited, which is in turn wholly-owned by ABC International Holdings Limited. ABC International Holdings Limited is wholly-owned by Agricultural Bank of China Limited, which is in turn owned as to 40.03% by Central Huijin Investment Ltd. Therefore, Central Huijin Investment Ltd., Agricultural Bank of China Limited, ABC International Holdings Limited and ABCI Investment Management Limited are deemed to be interested in the interest held by Cozy Pony Limited under the SFO.

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

According to the Interim Measures for Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) promulgated by the former 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 hold less than 5% of the total capital or total shares but have 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 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 of 31 December 2023, except 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 scope

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

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

The controlling shareholder of Guangdong Canvest Investment Co., Ltd. is Guo Huiqiang. There is no actual controller or party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Guangdong Canvest Investment Co., Ltd. and its related parties held a total of 304,190,898 Shares, accounting for 4.42% of the total Shares. The related parties of Guangdong Canvest Investment Co., Ltd. include Dongguan San Yang Industrial Development Co., Ltd.* (東莞市三陽實業發展有限公司), 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. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Guangdong Canvest Investment Co., Ltd. and its related parties was RMB2,597,814,300. During the Reporting Period, Guangdong Canvest Investment Co., Ltd. and its related parties did not pledge their Shares of 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 29 March 2002, its legal representative is Wang Junyang (王君揚), its registered capital is RMB268.88 million, and its business scope covers: 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. 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 172,389,749 Shares, accounting for 2.50% of the total Shares. The related parties of Dongguan City Kanghua Investment Group Co., Ltd. include Dongguan City Xingye Group Co., Ltd.* (東莞市興業集團有限公司) 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. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan City Kanghua Investment Group Co., Ltd. and its related parties was RMB2,304,679,000. During the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties did not pledge their Shares of 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 30 June 2004, its legal representative is Cai Hanzhen (蔡漢珍), its registered capital is RMB6 million, and its business scope covers: 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. The ultimate beneficiary is the company itself. 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, accounting for 1.54% of the total Shares. The related parties of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. include 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. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties was RMB195,982,100. During the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties did not pledge their Shares of 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 28 July 2000, its legal representative is Ye Jinquan (葉錦泉), its registered capital is RMB200 million, and its business scope covers: 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 Jinquan. There is no actual controller or party acting in concert. The ultimate beneficiary is the company itself. At the end of the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties held a total of 116,333,556 Shares, accounting for 1.69% of the total Shares. The related parties of Guangdong Haide Group Co., Ltd. include Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司), Ye Jinquan and others; among them, there is related relationship between the Bank's Director Ye Jinquan and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Guangdong Haide Group Co., Ltd. and its related parties was RMB3,730,160,000. During the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties did not pledge their Shares of 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 22 June 2000, its legal representative is Chen Jiangtao (陳江濤), its registered capital is RMB10 million, and its business scope covers: 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. 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, accounting for 0.48% of the total Shares. The related parties of Dongguan Hongyuan Hotel Co., Ltd. include Dongguan Yingjun Industrial Investment Co., Ltd. (東莞市盈君實業投資有限公司), 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 party transactions between the Bank and Dongguan Hongyuan Hotel Co., Ltd. and its related parties was RMB2,865,697,400. During the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties did not pledge their Shares of the Bank.

(6) 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 28 May 1995. Its legal representative is Fu Wanxia (傅婉霞) and its registered capital is RMB50 million. Its business scope covers: general items: manufacturing of knitted or crocheted fabrics and their products; sales of knitted textiles and raw materials; sales of knitted textiles; apparel and accessories manufacturing; apparel manufacturing; wholesale of apparel and accessories; retail of apparel and accessories; non-residential real estate leasing; property management.

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. 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 36,313,081 Shares, accounting for 0.53% 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) include 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 party transactions between the Bank and Dongguan City Xingye Knitting Co., Ltd. and its related parties was RMB416,699,700. During the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties did not pledge their Shares of the Bank.

(7) 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 30 July 1996, its legal representative is Lu Chaoping (盧超平), its registered capital is RMB6 million, and its business scope covers: 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. The ultimate beneficiary is as company itself. As at the end of the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. held a total of 6,442,040 Shares, 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 the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related party transactions between the Bank and Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties was RMB86,970,300. During the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties did not pledge their Shares of the Bank.

(8) 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 13 February 2003, its legal representative is Chen Guangde (陳廣德), its registered capital is RMB60.875 million, and its business scope covers: licensed item: accommodation service; catering service; high-risk sports (swimming); retail of tobacco products; operation of performance venues. General items: single-purpose commercial prepaid card agent sales; sales of daily necessities; retail of arts and crafts and collectibles (except ivory and its products); food sales (sale of prepackaged food only); hotel management; property management; investment activities with its own funds; daily life services for residents.

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. 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 34,464,914 Shares, accounting for 0.50% of the total Shares. The related parties of Dongguan City Royal Garden Hotel Co., Ltd. include 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 party transactions between the Bank and Dongguan City Royal Garden Hotel Co., Ltd. and its related parties was nil. During the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties did not pledge their Shares of the Bank.

(9) Fook Man Development Company Limited (福民發展有限公司)*

Fook Man Development Company Limited was established on 10 April 1984, the person in charge of this enterprise is Tang Wencheng (唐聞成), and its issued share capital is HKD20.05 million.

The controlling shareholder of Fook Man Development Company Limited is Dongguan City Fook Man Group Company (東莞市福民集團公司), and the actual controller is State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan. There is no party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Fook Man Development Company Limited held a total of 126,262,000 Shares, accounting for 1.83% of the total Shares, and there were no other related parties holding Shares. There is related relationship between Tang Wencheng, the Bank's Director, and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the credit balance between the Bank and Fook Man Development Company Limited and its related parties was RMB1,683,510,800.

(VII) Information on Controlling Shareholders and Actual Controllers

During the Reporting Period, there was no major change in the Bank's shareholding structure. Except HKSCC Nominees Limited, 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 and the Board of Directors. Therefore, the Bank does not have any controlling shareholder or actual controller of the Bank.

(VIII) Pledge and Freezing of Shares

As of the end of the Reporting Period, there were no Domestic Shares held by shareholders holding more than 5% (including 5%) of the total Share capital being pledged or frozen. As at the end of the Reporting Period, so far as the Bank was aware, there was no pledge of Domestic Shares in the Bank, and no shareholders had pledged their Shares to the Bank. 5,348,579 Domestic Shares of the Bank were judicially frozen, representing 0.08% of the total Shares.

According to Article 43 of the Articles of Association of the Bank, if the equities of the Bank pledged by the shareholders reach or exceed 50% of equities of the Bank held by such shareholders, such shareholders' voting right on the general meeting and the voting rights of the Directors nominated by such shareholders on the Board meeting shall be restricted. During the Reporting Period, the Bank did not need to restrict the voting rights of relevant shares in general meetings or Board meetings.

(IX) Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Bank

During the Reporting Period, the Bank did not purchase, sell or redeem any listed securities or redeemable securities of the Bank.

For the issuance and redemption of the Bank's bonds, please refer to "Issuance, purchase, sale or redemption of bonds" in the "Report of the Board of Directors" chapter of this Report.

Chapter VII Corporate Governance Report

I. ORGANISATIONAL CHART

Note: The above is the organizational structure as of the end of December 2023.

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 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 organization and enhanced the level of corporate governance.

As of 31 December 2023, save for the code provision B.2.2 of Part 2 of the Corporate Governance Code, 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.

During the Reporting Period, the Bank convened one general meeting, 17 meetings of the Board of Directors (among which were 9 on-site meetings and 8 written resolutions), 9 meetings of the Board of Supervisors, one meeting of the chairman and independent non-executive Directors and one meeting of Directors and Supervisors on the performance of their duties. 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 2022 annual general meeting held on 25 May 2023 in the conference room of Dongguan Rural Commercial Bank building. The convening, notice, holding and voting procedures of the meetings were in compliance with relevant laws and regulations and relevant provisions of the Articles of Association of the Bank. 10 resolutions were considered and approved, including the Resolution in relation to Work Report of the Board of Directors of the Bank for 2022, the Resolution in relation to Work Report of the Board of Supervisors of the Bank for 2022, and the Resolution in relation to Addition of Executive Directors to the Fourth Session of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd.

For details of the resolutions and the poll results, please refer to the circular of the 2022 general meeting published on 4 May 2023 and the poll results announcement published on 25 May 2023 disclosed by the Bank on the website of the Hong Kong Stock Exchange and the official website of the Bank.

(II) Shareholders' Rights

1. Convening extraordinary general meetings

When 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 make a written request, 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 upon receipt of the request.

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 may submit provisional proposals to the convener in writing ten days prior to the date of the general meeting. The convener shall issue a supplemental notice setting out the contents of the provisional proposals within two days upon receiving the proposals. For details of the procedures and contact information for putting forward proposals on general meeting, please refer to the "Shareholders Communication Policy" in this section.

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 upon 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 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 of the Bank or the principal place of business of the Bank in Hong Kong to obtain printed copies of corporate communications of the Bank, including annual reports, interim reports and circulars, etc. In support of environmental protection and reduce the impact of printed materials on the environment and climate, the Bank encourages Shareholders and investors to view electronic versions of corporate communications.

Shareholders may contact the share registrar of the Bank (Computershare Hong Kong Investor Services Limited or China Securities Depository and 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 Street, Dongguan City, Guangdong Province, the PRC
Postcode: 523123

During the Reporting Period, the Board of Directors has reviewed the implementation of the shareholders communication policy of the Bank. The Bank has strengthened its communication with Shareholders and other stakeholders by encouraging Shareholders to attend general meetings to communicate with our staff, responding to investors' concerns through multiple channels such as emails, and issuing corporate newsletters and press releases on the Group's operation and development on a regular basis. Taking into account the above-mentioned communication channels and activities held, the Board of Directors of the Bank considers that the shareholders communication policy has been effectively implemented.

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(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 (share)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period (share)
Lu Guofeng	Male	September 1969	Secretary to the Party Committee	April 2023 – present	—	—	—	—
			Chairman of the Board of Directors	December 2023 – present				
			Executive Director	November 2023 – present				
Fu Qiang	Male	July 1970	Deputy secretary to the Party Committee	November 2018 – present	Domestic Shares	500,000	—	500,000
			Executive Director	July 2019 – present				
			President	July 2019 – present				
Ye Jianguang	Male	October 1972	Member of the Party Committee	August 2016 – present	Domestic Shares	500,000	—	500,000
			Executive Director	March 2019 – present				
			Vice President	December 2017 – present				
			Chief Risk Officer	March 2019 – present				
			Secretary to the Board of Directors	May 2021 – present				
			Joint company secretary	April 2021 – present				
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

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 (share)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period (share)
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
Tang Wencheng	Male	May 1979	Non-executive Director	September 2022 – present	—	—	—	—
Zeng Jianhua	Male	February 1958	Independent Non-executive Director	September 2022 – present	—	—	—	—
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	—	—	—	—
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
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	October 2009 – present	—	—	—	—
Wang Zhujin	Male	March 1964	Shareholder Supervisor	October 2019 – present	Domestic Shares	500,000	—	500,000

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 (share)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period (share)
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[2]	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				
			Chairman of the Labour Union Committee	May 2020 – present				
Zhong Guobo[3]	Male	June 1973	Assistant to the President	January 2023 – present	Domestic Shares	500,000	—	500,000

Notes:

(1) The term of office of directors and senior management stated here refers to the date on which the relevant director or senior management obtains the qualification approval from the National Financial Regulatory Administration (or its predecessor). The date of appointment of a Supervisor shall commence from the date on which the Supervisor is elected at the general meeting or the employee representative meeting.

(2) Ms. Chen Dongmei obtained the qualification approval of the former CBRC Dongguan office on 24 November 2017 and officially took the post of the vice president of the Bank on 28 December 2017.

(3) Mr. Zhong Guobo obtained the qualification approval of the former CBIRC Dongguan office on 30 December 2022 and officially took the post of the assistant to the president of the Bank on 3 January 2023.

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

1. *Directors*

Mr. Lu Guofeng (盧國鋒先生), is the secretary to the Party Committee, an executive Director and the chairman of the Board of Directors of our Bank. From July 1991 to March 2005, Mr. Lu successively worked for China Construction Bank in different departments including administration office of Dongguan Branch, Chang'an Branch, department of marketing, department of credit operation and department of corporate business, and successively served as a member of the party committee and vice president, etc. He successively served as a member of the party committee, deputy secretary of the party committee and president of Dongguan Commercial Bank Co., Ltd.* (東莞市商業銀行股份有限公司) (the predecessor of Bank of Dongguan Co., Ltd.* (東莞銀行股份有限公司) from March 2005 to March 2008; he successively served as the deputy secretary of the Party Committee, president, secretary to the Party Committee and chairman of the board of directors of Bank of Dongguan Co., Ltd. from March 2008 to April 2023. He joined the Bank in April 2023 and was subsequently appointed as the secretary to the Party Committee, executive Director and chairman of the Bank. In addition, Mr. Lu is currently a member of the 7th Council of Dongguan Banking Association.

Mr. Fu Qiang (傅強先生), is Deputy Secretary to the Party Committee, an executive Director and President of our Bank. Mr. Fu had successively served in various positions with the Guangdong provincial branch of PBoC as the deputy head, head of the party committee office, head of the audit and supervision department and a secretary of the Youth League committee of the Guangdong provincial branch of PBoC from July 1991 to January 1999, successively served as head of the banking regulatory office (1st division), deputy director of the department of civic affairs of the Youth League committee and the secretary to the Youth League committee (deputy director level) and the deputy secretary of the Youth League committee of the Guangzhou branch of PBoC from January 1999 to March 2004; 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. He was re-designated to the Guangzhou branch of PBoC from March 2009 to October 2018, and successively served in various positions as the director of the payment and settlement department, the deputy Director of the operation and management department (director level), the deputy inspector (deputy bureau level) (during the period mentioned 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 joined our Bank in November 2018 and has subsequently been appointed as the deputy secretary to the Party Committee, an executive Director and the president of the Bank.

Mr. Ye Jianguang (葉建光先生), is a member of the Party Committee, an executive Director, a vice president, 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聯社), 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, and the general manager of the fund management department of Guangdong Province Rural Credit Cooperatives Association* (廣東省農村信用社聯合社) 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. In addition, Mr. Ye Jianguang is currently the standing Director of the Financial Industry Asset Management Professional Committee of China Investment Association and the chairman of the Legal Affairs Working Committee of Dongguan Banking Association.

Mr. Lai Chun Tung (黎俊東先生), is a non-executive Director of our Bank. 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. 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) ("Canvest Environmental Protection") since September 2014 and is responsible for the overall strategy and major decision of its business operation, and has been a legal representative, chairman, general manager and/or director of various subsidiaries of Canvest Environmental Protection since 2007. Mr. Lai 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. Mr. Lai Chun Tung currently serves as a member of the 14th National Committee of the Chinese People's Political Consultative Conference, the standing vice chairman of the third session of the board of World Dongguan Entrepreneurs Federation (東莞世界莞商聯合會) and the vice chairman of the 12th session of the executive committee of Dongguan Federation of Industry and Commerce (general chamber of commerce) (東莞市工商業聯合會(總商會)).

Mr. Wang Junyang (王君揚先生), is a non-executive Director of our Bank. Since 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 City Xingye Group Co., Ltd.* (東莞市興業集團有限公司), respectively, responsible for business management and overall strategic development. In addition, Mr. Wang was 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.* (東莞康華醫院有限公司), in December 2015.

Mr. Cai Guowei (蔡國偉先生), is a non-executive Director of our Bank. 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 our Bank. Mr. Ye 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 our Bank. 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) from January 2016 to February 2024 and a director of CBA League (Beijing) Sports Co., Ltd.* (中籃聯(北京)體育有限公司) from October 2016 to October 2023.

Mr. Zhang Qingxiang (張慶祥先生), is a non-executive Director of our Bank. Mr. Zhang has been 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) since August 2009. In addition, Mr. Zhang is a standing committee member of the 14th Dongguan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議東莞市委員會), a member of the executive committee of the 13th 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)), the vice chairman of 12th session of the executive committee of Dongguan Federation of Industry and Commerce (general chamber of commerce) (東莞市工商業聯合會(總商會)), the standing vice chairman of the third session of the board of World Dongguan Entrepreneurs Federation (東莞世界莞商聯合會), 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 our Bank. 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 Shenxing Industry and Investment Co., Ltd.* (東莞市聖興實業投資有限公司) since August 2013; was 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) from November 2017 to December 2020; the director of Dongguan Zhaofeng Environment and Protection Co., Ltd.* (東莞市兆豐環保股份有限公司) since January 2019; and a supervisor of the fourth session of the board of supervisors of Yunfu Xinxing Dongying County Bank Company Limited *, our non-wholly owned subsidiary, since April 2019. Mr. Chen has served as a member of the 14th 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委員), a standing director of the third session of the committee of World Dongguan Entrepreneurs Federation (東莞世界莞商聯合會), the vice president of the fourth 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 second 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 Lake Federation of Entrepreneurs (東莞松山湖莞商聯合會), the honorary chairman of the fourth 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 fifth 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. Tang Wencheng (唐聞成先生), is a non-executive Director of our Bank. Mr. Tang was the assistant to the general manager and head of the business management department of Dongguan City Transportation Investment Group Co., Ltd.* (東莞市交通投資集團有限公司) ("Dongguan Transportation Investment"), chairman and general manager of Dongguan Shuhui Big Data Co., Ltd. ("Dongguan Shuhui")（東莞數匯大數據有限公司）, executive director and general manager of Dongguan City Fook Man Group Company* (東莞市福民集團公司) ("Dongguan Fook Man") and director of Fook Man Development Company Limited ("Fook Man Development") from July 2019 to December 2021 (The above companies are subsidiaries of Dongguan Transportation Investment.); assistant to the general manager and head of the operation management department of Dongguan Transportation Investment, chairman and general manager of Dongguan Shuhui, executive director and general manager of Dongguan Fook Man and director of Fook Man Development from December 2021 to January 2022; assistant to the general manager of Dongguan Transportation Investment, chairman and general manager of Dongguan Shuhui, executive director and general manager of Dongguan Fook Man and director of Fook Man Development from January 2022 to May 2023. From May 2023 to February 2024, he served as assistant to the general manager of Dongguan Transportation Investment, chairman of Dongguan Shuhui, executive director and general manager of Dongguan Fook Man and director of Fook Man Development. He has served as assistant to the general manager of Dongguan Transportation Investment, executive director and general manager of Dongguan Fook Man and director of Fook Man Development since February 2024.

Mr. Zeng Jianhua (曾儉華先生), is an independent non-executive Director of our Bank. Mr. Zeng has been an independent director of Zhejiang Furun Digital Technology Co., Ltd.* (浙江富潤數字科技股份有限公司) (600070.SH) since May 2020; was an independent director of Jiangsu Tongda Power Technology Co., Ltd.* (江蘇通達動力科技股份有限公司) (002576.SZ) from December 2020 to May 2022; has been an external supervisor of Sichuan Bank Co., Ltd. since January 2021; was a shareholder director of Sichuan Development Jiayibing Asset Restructuring Investment Co., Ltd.* (四川發展甲乙丙資產重組投資有限公司) from January 2021 to August 2022; has been the chairman of the board of directors of Gongqing City Huajian Function Private Equity Management Co., Ltd.* (共青城華建函數私募基金管理有限公司) since August 2019 and Beijing Huahan Consultancy Co., Ltd. since March 2021; has been an independent director of CCB Life Asset Management Co., Ltd. (建信保險資產管理有限公司) since May 2021; has been an independent non-executive director of Bank of Tianjin Co., Ltd. (1578.HK) since August 2022; and an independent director of Minsheng Financial Leasing Co., Ltd. since May 2023. Mr. Zeng is also currently a Distinguished Professor of the University for Peace of the United Nations.

Mr. Yip Tai Him (葉棣謙先生), is an independent non-executive Director of our Bank. Mr. Yip is currently the director of Qing Lan C.P.A. Limited. Mr. Yip is currently or i n the past three years an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: Shentong Robot Education Group Company Limited (8206.HK) (formerly known as China Communication Telecom Services Company Limited, Shenzhou Aomei Networks (International) Co., Ltd., GCL-Poly Energy Holdings Limited (3800.HK), Redco Properties Group Limited (1622.HK) and Zhongchang International Holdings Group Limited (859.HK).

Mr. Xu Zhi (許智先生), is an independent non-executive Director of our Bank. 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; an independent director of HUCAIS Printing Co., Ltd.* (虎彩印藝股份有限公司) (834295.NEEQ) from November 2013 to January 2022; a director of Jc Future Intelligent Technology Co., Ltd. (838309.NEEQ) (京彩未來智能科技股份有限公司) (formerly known as Dongguan Tianyu Network Technology Co., Ltd.* (東莞市天宇網絡技術股份有限公司)) between March 2020 and February 2023; 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; and an independent director of Dongrui Food Group Co., Ltd. (東瑞食品集團股份有限公司) (001201.SZ) since December 2022. In addition, Mr. Xu has been a representative of the 13th Session of the People's Congress of Guangdong Province between January 2018 and December 2022.

Mr. Tan Fulong (譚福龍先生), is an independent non-executive Director of our 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 has served as the senior partner of Guangzhou King Pound (Dongguan) Law Firm) (廣州金鵬(東莞)律師事務所). Mr. Tan served as 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) from April 2017 to March 2022; served as the 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) from October 2017 to March 2022. Mr. Tan has been the deputy director of the 12th Session of Guangdong Lawyers Association Law Professional Committee on the Law of Disposal of Non-performing Assets (第十二屆廣東省律師協會不良資產處置法律專業委員會) since April 2022; served as an expert of the Civil Administration Procuratorate Think Tank of the Dongguan People's Procuratorate (東莞市人民檢察院) from May 2019 to April 2022; 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 Seventh Procuratorate of The Supreme People's Procuratorate of the PRC from March 2021 to February 2023; has served as the arbitrator by Dongguan Arbitration Commission since April 2022; a professional staff of the third-party monitoring and evaluation mechanism for compliance of enterprises involved in cases in Dongguan since December 2022. Mr. Tan has served as the supervisor of the Eighth Dongguan Lawyers Association since April 2023. Mr. Tan has served as the specially-invited law enforcement supervisor in Dongguan since September 2023. Mr. Tan is also a standing committee member of the 14th Dongguan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議東莞市委員會).

Ms. Liu Yuou (劉宇鷗女士), is an independent non-executive Director of our Bank. Ms. Liu 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. In addition, Ms. Liu serves as a supervisor of Dongguan Zhengyu Intellectual Property Operation Co., Ltd.* (東莞市正域知識產權運營有限公司), a supervisor of Guangdong Zhengyu Taxation Firm Limited.* (廣東省正域稅務師事務所有限公司) and the manager of Dongguan Huiying Investment Consulting Co., Ltd.* (東莞市薈盈投資諮詢有限公司).

Ms. Xu Tingting (許婷婷女士), is an independent non-executive Director of the Bank. Ms. Xu has served as a chief accountant of Dongguan Zhenglian 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 has served as the executive director of Leadway Technology Investment Group Limited (formerly known as HNA Technology Investments Holdings Limited) (2086.HK).

2. *Supervisors*

Mr. Chen Sheng (陳勝先生), is a member of the Party 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 was 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 Party 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 from April 2010 to February 2022, and has been a coordination officer of the office of the Board of Supervisory since March 2022.

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 (after 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) from February 1990 to June 2021 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) from 2012 to February 2022, 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 (梁傑鵬先生), 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 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 supervisor 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, manager and supervisor successively 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, deputy head of the School of Management and the 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 served as an independent non-executive 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 Guangdong Yuehai Feeds Group Co., Ltd. (廣東粵海飼料集團股份有限公司)(001313.SZ), 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), a director of Guangzhou Zhongda Intellectual Services Co., Ltd.* (廣州中大知識產權服務有限公司), a director of Guangzhou Zhongda Nansha Science and Technology Innovation Industrial Park Co., Ltd.* (廣州中大南沙科技創新產業園有限公司) and an external director of Science City (Guangzhou) Investment Group Co. Ltd.*(科學城（廣州）投資集團有限公司). At present, Mr. Yang serves as 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 non-executive director of Circle Logistics Co., Ltd. (僑益物流股份有限公司) (833478.NEEQ), an independent non-executive director of Guangdong Tianhe Agricultural Means of Production Co., Ltd. (廣東天禾農資股份有限公司) (02999.SH).

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). From August 2017 to December 2021, 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), is 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), is 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.

Ms. Chen Dongmei (陳冬梅女士), is 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. In addition, Ms. Chen Dongmei concurrently serves as a Director of the third session of the Board of Directors of Yaan Rural Commercial Bank (雅安農村商業銀行), a deputy Director of the Financial Dispute People's Mediation Committee of Dongguan Banking Association (東莞市銀行業協會金融糾紛人民調解委員會) and a Director of the third session of Dongguan Financial Consumer Rights Protection Association (東莞市金融消費權益保護協會).

Mr. Zhong Guobo (鍾國波先生), is the assistant president of the Bank. From July 1996 to December 2006, Mr. Zhong successively held various positions in Dongguan Rural Credit Cooperatives Association* (東莞農村信用合作社聯合社), the predecessor of the Bank, including the deputy team leader of the fund planning and loan department, the assistant manager of the loan department, assistant manager of the asset preservation department, etc.; He served as the manager of the loan department of Dongguan Rural Credit Cooperatives Association, the predecessor of the Bank, from December 2006 to March 2010; From March 2010 to July 2011, he served as the general manager of the credit management department of the Bank; From July 2011 to July 2015, he served as the president of Fenggang sub-branch of the Bank; From July 2015 to December 2017, he successively served as the general manager of the Risk and Compliance Department and the general manager of the Comprehensive Risk Management and Compliance Department of the Bank; From August 2017 to November 2022, Mr. Zhong Guobo was dispatched to successively serve as the deputy director of the office of the preparation group of Zhanjiang RCB, a member of the party committee, deputy secretary and director of Zhanjiang City Mazhang District Rural Credit Cooperatives Union, and a member of the party committee, deputy secretary, director and president of Zhanjiang Rural Commercial Bank; He then served as an assistant to the president of the Bank in January 2023. In addition, Mr. Zhong is currently the president of Dongguan Rural Revitalization Association and the standing director of Dongguan Public Diplomacy Association.

4. Members of the Party Committee

Mr. Lu Guofeng (盧國鋒先生), is secretary to the Party Committee, executive Director and chairman of our Bank. For the biography of Mr. Lu Guofeng, please see “Directors” in this section.

Mr. Fu Qiang (傅強先生), is 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), is 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), is a member of the Party Committee and secretary of the disciplinary committee of the Bank. From July 1993 to October 2004, Mr. Qian had held various position 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); and he served as the secretary to the Party Committee of the Zhaoqing Rural Commercial Bank System from September to November 2018. He joined the Bank in November 2018 and served as the secretary of the disciplinary committee.

Mr. Ye Jianguang (葉建光先生), is 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.

Ms. Chen Dongmei (陳冬梅女士), is 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

1. Changes in Directors

(1) Mr. Wang Yaoqiu submitted his resignation as chairman and executive Director of the Bank to the Board of Directors on 28 April 2023 due to organizational work arrangements. In accordance with the Company Law of the People's Republic of China, the Corporate Governance Standards of Banking and Insurance Institutions and the Articles of Association of Dongguan Rural Commercial Bank Co., Ltd., the Board of Directors of the Bank approved the resignation of Mr. Fu Qiang, the president and executive Director, to perform the duties of the chairman on his behalf.

(2) The Bank held the 2022 annual general meeting on 25 May 2023 to elect Mr. Lu Guofeng as an executive Director of the fourth session of the Board of Directors of the Bank. The sixty-ninth meeting of the fourth session of the Board of Directors was convened after the annual general meeting to elect Mr. Lu Guofeng as the chairman of the fourth session of the Board of Directors. Mr. Lu Guofeng has obtained the approval of the qualifications for appointment as Director and chairman of the Bank on 20 November 2023 and 27 December 2023 respectively, and Mr. Fu Qiang has ceased to perform the duties of the chairman of Dongguan Rural Commercial Bank Co., Ltd. since 27 December 2023 on behalf of the Bank.

For details, please refer to the announcements of the Bank dated 28 April 2023, 25 May 2023, 20 November 2023, and 27 December 2023 and circular of the Bank dated 4 May 2023.

2. *Changes in Senior Management*

Mr. Zhong Guobo was assigned the position of assistant to the president of the Bank in January 2023.

Ms. Chen Dongmei ceased to serve as the person in charge of Information Technology Department in August 2023.

(IV) Changes in Information of Directors and Supervisors

Mr. Chen Haitao ceased to be a director of Dongguan Minying Group Co., Ltd.* (東莞市民盈集團股份有限公司) and a director of CBA League (Beijing) Sports Co., Ltd.* (中籃聯(北京)體育有限公司).

Mr. Tang Wencheng ceased to be the chairman of Dongguan Shuhui Big Data Co., Ltd（東莞數匯大數據有限公司）.

Mr. Tan Fulong is currently the supervisor of the Eighth Dongguan Lawyers Association (第八屆東莞市律師協會) and the specially-invited law enforcement supervisor in Dongguan (東莞市特邀執法監督員).

Mr. Yang Biao ceased to be the external director of Science City (Guangzhou) Investment Group Co. Ltd.* (科學城（廣州）投資集團有限公司).

(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 formulated the remuneration plan based on the principle of ability and contribution, adhered to the principle that increment of remuneration shall not exceed the increment of economic benefits of the Bank, determined the remuneration package based on positions, responsibility, work performance, work attitude and other indicators of Directors and Supervisors 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 shall be implemented in accordance with the remuneration management measures formulated by the Bank.

The remuneration of Directors, Supervisors, senior management and employees in positions that have a significant impact on the Bank's risk in 2023 is as follows:

Remuneration band of 2023 (before taxation)	Number
RMB250,000 and above	69
RMB250,000 or below	22
Total	**91**

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

Please refer to Note 11 "Emoluments of directors, supervisors and the highest-paid staff" to the Consolidated Financial Statements in the "Financial Report" Chapter in this Report for details of the remuneration of Directors, Supervisors and senior management during the Reporting Period.

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

As of December 31, 2023, 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 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 deemed or taken to have under such provisions of the SFO), or which were required to be entered in the register 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 C3 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)[1]	Approximate % of the relevant class of Shares of the Bank[1] (%)	Approximate % of total issued Shares of the Bank[1] (%)
Fu Qiang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Ye Jianguang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.01742	0.01452
		Domestic Shares	Long position	Interest of spouse	500,000		
Lai Chun Tung	Non-executive Director	Domestic Shares	Long position	Beneficial owner	1,156,825	0.07588	0.06323
		Domestic Shares	Long position	Interest in controlled corporation[2]	3,199,118		
Wang Junyang	Non-executive Director	Domestic Shares	Long position	Interest in controlled corporation[3]	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 Jinquan	Non-executive Director	Domestic Shares	Long position	Beneficial owner	9,663,060	1.99510	1.66259
		Domestic Shares	Long position	Interest in controlled corporation[4]	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 Supervisor	Domestic Shares	Long position	Interest in controlled corporation[5]	6,442,040	0.11222	0.09352
Wang Zhujin	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Liang Jiepeng	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	2,254,714	0.03928	0.03273
Zou Zhibiao	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	32,210	0.00056	0.00047

Notes:

(1) As of December 31, 2023, the total number of ordinary shares issued by the Bank was 6,888,545,510 shares, divided into 5,740,454,510 domestic Shares and 1,148,091,000 H Shares.

(2) Such 3,199,118 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.

(3) 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% by Mr. Wang Junyang and 42% by Dongguan City Kanghua Investment Development Co., Ltd.* (東莞市康華投資發展有限公司), a company owned as to 100% by Mr. Wang Junyang, 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.

(4) 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 Jinquan; (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 Jinquan; (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 Jinquan and (d) 24% by Dongguan City Hengyi Industrial 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 Jinquan; 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.

(5) Such 6,442,040 Domestic Shares are held by Dongguan City Shenzhou Industrial Development Co., Ltd.* (東莞市神洲實業開發有限公司), a company owned as to 90.00% by Mr. Lu Chaoping. Accordingly, Mr. Lu is deemed to be interested in all the Domestic Shares held by Dongguan City Shenzhou Industrial Development Co., Ltd.* under the SFO.

Interest in associated corporation

Name	Position in the Bank	Name of associated corporation	Nature of interest	Number of shares in the associated corporation (share)	Approximate percentage of interest in the associated corporation (%)
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% by Mr. Wang Junyang and 42.00% by Dongguan City Kanghua Investment Development Co., Ltd.* (東莞市康華投資發展有限公司) (a company owned as to 100% 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, 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 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 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

Since its listing, the Bank has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the standards of securities transactions by Directors and Supervisors. Having made a specific enquiry to all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with the Model Code during 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), is a party to any arrangement that enables any Director, Supervisor or chief executive 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 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 a 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 a 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 a registered capital of RMB5.0 million. Mr. Wang Junyang also directly and through Dongguan City Kanghua Investment Development Co., Ltd.* (東莞市康華投資發展有限公司), a company in which he holds 100% interest, 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 a 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. 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 a 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 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

During the Reporting Period, save for the continuing connected transactions exempted from the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules, none of a Director, Supervisor or an entity connected with a Director or a Supervisor has any interest, either directly or indirectly, in significant transactions, arrangements and contracts in relation to the Group's business to which the Bank, its holding company, subsidiaries or fellow subsidiaries was a party during the Reporting Period (excluding service contracts). None of the Directors or Supervisors of the Bank has entered into any service contracts with the Bank which would provide for compensation (other than statutory compensation) in the event of termination by the Bank within one year.

V. Board of Directors

The Board of Directors is the decision-making body of the Bank and is responsible for implementing the resolutions of the general meeting, formulating the Bank's business development strategies, formulating the Bank's annual financial budgets, final accounts, profit distribution and loss recovery plans, formulating the Bank's plans for material acquisitions, acquisition of the Bank's shares or merger, division, dissolution and change of the corporate form of the Bank, formulating the Bank's proposals for amendment to the Articles of Association, formulating the Bank's comprehensive risk management policies, formulating risk management systems relating to risk tolerance, risk appetite, internal control, reputational risk, financial innovation risk management and case risk management, and the appointment or dismission of the Bank's President, Vice President, Assistant President and other senior management and their remunerations.

(I) Members of the Board of Directors and the Board Diversity Policy

As at the end of the Reporting Period, the Board of Directors of the Bank consisted of 17 Directors, including 3 executive Directors, namely Mr. Lu Guofeng (secretary to the Party Committee and chairman), Mr. Fu Qiang (deputy secretary to the Party Committee and president) and Mr. Ye Jianguang; 8 non-executive Directors, namely Mr. Lai Chun Tung, Mr. Wang Junyang, Mr. Cai Guowei, Mr. Ye Jinquan, Mr. Chen Haitao, Mr. Zhang Qingxiang, Mr. Chen Weiliang and Mr. Tang Wencheng; 6 independent non-executive Directors, namely Mr. Zeng Jianhua, Mr. Yip Tai Him, Mr. Xu Zhi, Mr. Tan Fulong, Ms. Liu Yuou and Ms. Xu Tingting. All communication documents of the Bank containing the names of Directors clearly state the categories of Directors in compliance with the requirements of the Listing Rules.

The Bank has formulated the board diversity policy among others, according to the position and the continuous adoption and implementation of the policy, we are committed to ensuring that the Board of Directors of the Bank achieves an appropriate balance in terms of diversity. The Bank will consider the composition of the Board of Directors from various aspects in accordance with the board diversity policy, including but not limited to directors' gender, age, education background, professional experience, knowledge and skills, etc., to ensure a balanced distribution of skills and experience combinations of board members to provide different perspectives, insights and questions, allowing the board to effectively perform its duties, thereby enhancing the effective operation of the board and maintaining high standards of corporate governance. During the Reporting Period, the Board considered that this policy has been effectively implemented and the members of the Board have reached the diversity targets (including gender diversity). 3 executive Directors have long been engaged in the banking industry and have rich professional experience; 8 non-executive Directors all hold important positions such as the chairman and general manager of enterprises, and have rich experience in operation and management; 6 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 currently 2 female Directors in the Board of Directors. The Board expects to maintain the proportion of its female members at least the current level and will continue its efforts to maintain the gender diversity profile of the Board of Directors. In addition, the Nomination and Remuneration Committee of the Board of Directors annually reviews the implementation and effectiveness of the diversity policy, and makes recommendations on adjustments to the Board of Directors to be made in line with the Bank's strategy.

The Bank has established a mechanism for the Board to obtain independent opinions and suggestions. The Board currently comprises 6 independent non-executive Directors, representing one-third of the Board, which complies with the requirements on the number of independent non-executive directors under the Listing Rules. When the Nomination and Remuneration Committee evaluates the suitability of a candidate to serve as an independent non-executive Director, it will review his/her qualifications, skills and independent opinions with reference to the Bank's nomination policy and board diversity policy. The Nomination and Remuneration Committee also assesses annually the time commitment and independence of the independent non-executive Directors. All Directors, including independent non-executive Directors, may also have access to external independent professional advice if considered necessary. During the Reporting Period, the Board reviewed the implementation of the above mechanism and considered that the above mechanism was effective.

As of the end of the Reporting Period, the roles and duties of the chairman and the president of the Bank are taken up by different individuals. Mr. Lu Guofeng, the Chairman of the Bank, is responsible for leading the Board and ensuring its efficient operation, and Mr. Fu Qiang, the President of the Bank, is responsible for the daily business operation of the Bank. There is a clear division of responsibilities in compliance with the requirements and recommendations of the regulatory provisions and the Listing Rules.

(II) 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 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 a resolution at the general meeting (but such removal shall not cause prejudice to any claim which may be instituted by the Director under any contract), and an independent Director shall be removed by a special resolution.

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 general meeting for consideration and approval. After consideration and approval at the general meeting, it shall be reported to the banking regulatory authority of the State Council for approval of eligibility. The term of office of Directors shall commence from the date of approval by the banking regulatory authority of the State Council till the expiry of the term of office of the current session of the Board of Directors.

(III) 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 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 general meeting.

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.

(IV) 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 2022 annual general meeting.

(V) Attendance of Directors at Meetings

During the Reporting Period, the Bank convened 17 meetings of the Board of Directors, among which 9 were held onsite and 8 were by written resolutions. 191 proposals including the Resolution on the 2022 Work Report of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd., the Resolution on the 2022 Operation and Management Work Report of Dongguan Rural Commercial Bank Co., Ltd. and the Resolution on the 2022 Profit Distribution Plan of Dongguan Rural Commercial Bank Co., Ltd. were considered and approved, and 17 reports were reviewed.

During the Reporting Period, the attendance of Directors of the Bank at general meetings, meetings of the Board of Directors and special committees under the Board of Directors is as follows:

Name of Director	Attendance in person/Number of meetings held during the term of office[5]		Board Committees					
	General Meeting	Board of Directors	Strategic Decision and Sannong Committee	Comprehensive Risk Management Committee	Nomination and Remuneration Committee	Related Party Transaction Control Committee	Audit Committee	Consumer Rights Protection Committee
Executive Director								
Lu Guofeng[1]	/	2/2	/	/	/	/	/	/
Fu Qiang	1/1	16/17	12/12	/	/	/	/	8/8
Ye Jianguang	1/1	17/17	/	12/12	/	16/16	/	/
Non-executive Director								
Lai Chun Tung	1/1	17/17	12/12	/	/	/	/	/
Wang Junyang[2]	0/1	14/17	8/8	7/7	/	/	/	/
Cai Guowei	1/1	17/17	/	/	/	/	/	8/8
Ye Jinquan	1/1	17/17	/	/	/	/	/	/
Chen Haitao	1/1	17/17	12/12	/	/	/	/	8/8
Zhang Qingxiang	1/1	16/17	/	/	/	/	/	/
Chen Weiliang	1/1	17/17	/	/	/	/	12/12	/
Tang Wencheng	1/1	17/17	/	/	/	/	/	/
Independent Non-executive Director								
Zeng Jianhua[3]	1/1	17/17	/	5/5	/	/	/	/
Yip Tai Him	1/1	16/17	/	/	6/6	/	/	/
Xu Zhi	1/1	17/17	/	12/12	6/6	/	12/12	/
Tan Fulong	1/1	17/17	/	/	/	16/16	/	8/8
Liu Yuou	1/1	17/17	/	/	/	16/16	12/12	/
Xu Tingting	1/1	17/17	/	/	6/6	/	12/12	/
Resigned Director								
Wang Yaoqiu[4]	/	7/7	7/7	/	/	/	/	/

Notes:

(1) Served as a Director since 20 November 2023 and the chairman of the Strategic Decision and Sannong Committee since 27 December 2023.
(2) Ceased to be a member of the Comprehensive Risk Management Committee and a member of the Strategic Decision and Sannong Committee with effect from 25 May 2023.
(3) Served as a member of the Comprehensive Risk Management Committee with effect from 25 May 2023.
(4) Resigned as a Director and the chairman of the Strategic Decision and Sannong Committee on 28 April 2023.
(5) A Director who is unable to attend in person has appointed another Director to attend and vote on his behalf.

(VI) Performance of the Independent Non-executive Directors

Pursuant to the Articles of Association, the independent non-executive Directors of the Bank shall represent at least one-third of the Board of Directors. Independent non-executive Directors serve as chairmen of the Related Party Transaction Control Committee, the Audit Committee, the Nomination and Remuneration Committee under the Board of Directors. As of the end of the Reporting Period, the Board of Directors of the Bank comprised of 6 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, attended shareholder's general meetings, and meetings of the Board of Directors and its special committees, considered relevant proposals, listened to reports, and expressed objective, impartial and independent views on the relevant material matters, and the Board considered that the working mechanism of the independent non-executive Directors had been effectively implemented.

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

During the Reporting Period, the Board of Directors had six specialized 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 2023, 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 66 meetings throughout the year, at which 325 proposals in relation to strategic planning, remuneration appraisal, comprehensive risk management, internal control, related party transactions and consumer rights protection were considered. The committees maintained communication with the Operational Management, and gave full play to their roles in assisting the Board of Directors in making scientific decisions.

The members of the six specialized committees under the Board of Directors of the Bank are as follows:

Members of the Board	Strategic Decision and Sannong Committee	Comprehensive Risk Management Committee	Nomination and Remuneration Committee	Related Party Transaction Control Committee	Audit Committee	Consumer Rights Protection Committee
Executive Director						
Lu Guofeng[(1)]	Chairman					
Fu Qiang	Member					Chairman
Ye Jianguang		Chairman		Member		
Non-executive Director						
Lai Chun Tung	Member					
Wang Junyang[(2)]	Member (former)	Member (former)				
Cai Guowei						Member
Ye Jinquan						
Chen Haitao	Member					Member
Zhang Qingxiang						
Chen Weiliang					Member	
Tang Wencheng						
Independent Non-executive Director						
Zeng Jianhua[(3)]		Member				
Yip Tai Him			Chairman			
Xu Zhi		Member	Member		Chairman	
Tan Fulong				Member		Member
Liu Yuou				Chairman	Member	
Xu Tingting			Member		Member	
Resigned Director						
Wang Yaoqiu[(4)]	Chairman (former)					

Notes:

(1) Served as the chairman of the Strategic Decision-making and Sannong Committee since 27 December 2023.
(2) Ceased to be a member of the Comprehensive Risk Management Committee and a member of the Strategic Decision and Sannong Committee with effect from 25 May 2023.
(3) Served as a member of the Comprehensive Risk Management Committee with effect from 25 May 2023.
(4) Resigned as a Director and the chairman of the Strategic Decision-making and Sannong Committee from 28 April 2023.

1. Strategic Decision and Sannong Committee

As at the end of the Reporting Period, the Strategic Decision and Sannong Committee consists of executive Directors and non-executive Directors, namely Mr. Lu Guofeng (chairman), Mr. Fu Qiang, Mr. Lai Chun Tung 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 Association 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 Association 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 report 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.

During the Reporting Period, the Strategic Decision and Sannong Committee held 12 meetings, at which 45 proposals were considered and approved, and conducted in-depth research on development planning, business plans, green credit, and Sannong financial services. The Strategic Decision and Sannong Committee held 2 symposiums with Sannong enterprises to know about the development of Sannong.

2. *Comprehensive Risk Management Committee*

As at the end of the Reporting Period, the Comprehensive Risk Management Committee consists of executive Directors and independent executive Directors, namely Mr. Ye Jianguang (chairman), Mr. Zeng Jianhua 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.

During the Reporting Period, the Comprehensive Risk Management Committee held 12 meetings, at which 68 proposals were considered and approved, and 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.

During the Reporting Period, the Nomination and Remuneration Committee held 6 meetings, at which 14 proposals were considered and approved, and conducted research on the remuneration management system, the structure and composition of the Board of Directors, the diversity of the Board of Directors, the independence of independent non-executive Directors, the annual budget and allocation of remuneration of senior management. In addition, the Nomination and Remuneration Committee considered director candidate and made recommendation to the Board of Directors in accordance with the Nomination Policy, the Diversity Policy of the Board of Directors and the situation of the Bank. During the selection of director candidates, the Nomination and Remuneration Committee shall conduct preliminary examination on the qualifications and conditions of the candidates, including their professional knowledge, experience and background, select suitable personnel, and make recommendations to the Board of Directors in accordance with relevant laws and regulations, the Bank's articles of association and the nomination procedures stipulated in relevant regulations. The candidates shall be examined and approved by the Board of Directors and Shareholders at the general meeting, and shall perform their duties according to law after obtaining the qualification from the banking supervision institutions.

4. *Related Party Transaction Control Committee*

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

During the Reporting Period, the Related Party Transaction Control Committee held 16 meetings, at which 94 proposals were considered and approved, and 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 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 the code provision D.3 of Part 2 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.

During the Reporting Period, the Audit Committee held 12 meetings, at which 65 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 the communication and connetion with internal and external auditors, a total of 2 meetings were held with the external auditors of the Bank during the Reporting Period to promote the formation of an effective communication mechanism between internal and external auditors. We attached great importance to the construction of audit system and continued to promote the intelligence of audit.

In accordance with the requirements of the Administrative Measures for the Audit of Annual Financial Statements of the Bank, the Audit Committee performed the following duties during the preparation and review of the 2023 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 2023, 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 2023 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 periodically 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.

During the Reporting Period, the Consumer Rights Protection Committee held 8 meetings, at which 39 proposals were considered and approved, and conducted research on the consumer financial protection work plan and the construction of the consumer rights protection system.

(VIII) Continuous Professional Development Plan of Directors

During the Reporting Period, the Bank attached great importance to the continuous training of Directors, provided all Directors with overviews of the latest developments in the Listing Rules and other applicable regulatory requirements from time to time, and organized Directors to participate in the 2023 anti-money laundering and anti-terrorist financing training for Directors, Supervisors, and middle and senior management of Dongguan Rural Commercial Bank, to study and research on regulatory policies, industry development, regional economy and other aspects, which effectively broadened the macro decision-making vision, and improved the performance capability of Directors. The Directors' participation in training during the Reporting Period is set out below:

Anti-money laundering and anti-terrorist financing training (participated directors: Lu Guofeng, Fu Qiang, Ye Jianguang, Lai Chun Tung, Wang Junyang, Cai Guowei, Ye Jinquan, Chen Haitao, Zhang Qingxiang, Chen Weiliang, Tang Wencheng, Zeng Jianhua, Yip Tai Him, Xu Zhi, Tan Fulong, Liu Yuou, Xu Tingting).

(IX) 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 2023, 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 of Directors 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 of Directors has continued to adopt the going concern basis in preparing the financial statements.

VI. THE BOARD OF SUPERVISORS

(I) Responsibilities and Duties of the Board of Supervisors

The Board of Supervisors is the Bank's internal supervision body, which is accountable to the Shareholders' general meeting. In addition to performing its duties in accordance with the Company Law of the People's Republic of China and other laws and regulations and the Articles of Association of the Bank, the Board of Supervisors focuses on supervising the duty performance, financial activities, internal control and risk management etc. of the Board of Directors, senior management and their members of the Bank.

(II) Composition and Meetings of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors of the Bank had 12 Supervisors, including 4 employee Supervisors, namely Mr. Chen Sheng (Chairman of the Board of Supervisors), Ms. Deng Yanwen, Mr. Wu Lixin and Mr. Liang Zhifeng; 4 external Supervisors, namely Ms. Wei Haiying, Mr. Yang Biao, Mr. Zhang Bangyong and Ms. Mai Xiuhua; and 4 shareholder Supervisors, namely Mr. Lu Chaoping, Mr. Wang Zhujin, Mr. Liang Jiepeng and Mr. Zou Zhibiao.

During the Reporting Period, the Bank held a total of 9 meetings of the Board of Supervisors, including 5 on-site meetings and 4 meetings by circulation of written resolutions. The Board of Supervisors mainly considered and approved 161 proposals, including the Proposal on Optimising Part of the Organisational Management Structure and Functions of Dongguan Rural Commercial Bank Co., Ltd. and the Proposal on the Election of Mr. Lu Guofeng as the Chairman of the Fourth Session of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd., and listened to or reviewed 86 reports.

(III) Meetings of the Board of Supervisors and Committees Thereunder

During the Reporting Period, the Board of Supervisors established two special committees, namely the Nomination Committee and the Supervision Committee. During the Reporting Period, the two special committees under the Board of Supervisors of the Bank exercised their functions and powers independently, in compliance with laws and regulations and effectively. They held a total of 10 meetings and considered 21 proposals, including the Report on the Performance Evaluation Results of Directors, Supervisors and Senior Management of Dongguan Rural Commercial Bank Co., Ltd. for 2022 and the Report on the Special Audit Work of the Board of Directors and the Special Committees under the Senior Management of Dongguan Rural Commercial Bank for 2022. They maintained communication with the Board of Directors and the management and gave full play to their supervisory role.

(IV) Attendance of Supervisors at Meetings of the Board of Supervisors and its Committees

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

		Number of actual attendance/ number of meetings held		
			Committees under the Board of Supervisors	
Name of Supervisor	Class of Supervisor	Meetings of the Board of Supervisors	Nomination Committee	Supervisory Committee
Chen Sheng	Employee Supervisor	9/9	5/5	/
Deng Yanwen	Employee Supervisor	9/9	5/5	/
Liang Zhifeng	Employee Supervisor	9/9	/	5/5
Wu Lixin	Employee Supervisor	9/9	/	5/5
Lu Chaoping	Shareholder Supervisor	9/9	/	/
Wang Zhujin	Shareholder Supervisor	9/9	/	/
Liang Jiepeng	Shareholder Supervisor	9/9	/	/
Zou Zhibiao	Shareholder Supervisor	9/9	/	/
Wei Haiying	External Supervisor	9/9	5/5	/
Yang Biao	External Supervisor	9/9	5/5	/
Zhang Bangyong	External Supervisor	9/9	/	5/5
Mai Xiuhua	External Supervisor	9/9	/	5/5

(V) Duty Performance of External Supervisors

During the Reporting Period, Ms. Wei Haiying, Mr. Yang Biao, Mr. Zhang Bangyong and Ms. Mai Xiuhua, External Supervisors of the Bank, performed their supervisory duties in strict accordance with the provisions of the Articles of Association of the Bank, attended all the meetings of the Board of Supervisors and meetings of the special committees during the year, and conscientiously devoted themselves to the study of and decision on important matters of the Board of Supervisors. They participated in the Shareholders' general meetings in accordance with the rules and regulations, and attended the meetings of the Board of Directors and the subordinate committees. Meanwhile, they took the lead in carrying out the special investigation of the Board of Supervisors, seeking to promote the Bank's improvement of corporate governance and management. They also actively participated in the special audit of the Board of Directors and the special committees under the senior management as well as the training on anti-money laundering and anti-terrorist financing in 2023, and their working hours at the Bank were in compliance with the statutory requirements. The external Supervisors gave full play to their professional advantages, from proactively performing their duties in compliance with the law, objectively and independently to putting forward highly constructive opinions and suggestions on the Bank's new situation of high-quality development. This provided strong support for the Board of Supervisors to successfully complete the various supervisory works.

VII. SENIOR MANAGEMENT

(I) Composition of Senior Management

The senior management of the Bank consists of 1 president, 2 vice presidents and 1 president assistant. At the senior management level, the Bank has established Assets and Liabilities Management Committee (資產負債管理委員會), Product Innovation Committee (產品創新委員會), Information Technology Management Committee (信息科技管理委員會), and Comprehensive Risk Management Execution Committee (全面風險管理執行委員會). 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 polices 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.

VIII. COMPANY SECRETARIES

Mr. Ye Jianguang and Mr. Wong Wai Chiu served as the joint company secretaries of the Bank. Mr. Ye Jianguang is the primary contact person of the Bank to Mr. Wong Wai Chiu who is an external service provider. 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 received relevant professional trainings for at least 15 hours during the Reporting Period in accordance with the requirements of the Listing Rules.

IX. EMPLOYEES

The Group strictly complies with relevant laws and regulations, and clearly stipulates anti-discrimination, anti-forced labour and anti-child labour regulations in the recruitment process, striving to create a fairer employment environment and a diversified workplace atmosphere. As at the end of the Reporting Period, the Group had 7,924 employees, including 4,663 male employees and 3,261 female employees, representing a male to female ratio of approximately 1.43:1. The Bank attaches great importance to the protection of the rights and interests of female employees. Through initiatives such as the establishment of the executive committee studio of the Women's Federation and setting up mother-and-baby care rooms, the Bank created a comfortable, equal and convenient environment for female employees and fully protected their rights and interests. The details of the employees are as follows:

(I) Employees Functional Structure

Function type	Number	Percentage (%)
Corporate banking business	1,099	13.9
Personal banking business	3,056	38.6
Treasury business	97	1.2
Finance, accounting and operation	1,382	17.4
Risk management, internal control and legal compliance	926	11.7
Information technology	356	4.5
Administrative management	717	9.0
Others	291	3.7
Total	**7,924**	**100.0**

(II) Employee Educational Background Structure

Educational background type	Number	Percentage (%)
Postgraduate and above	387	4.9
Undergraduate	6,226	78.6
Associate college	1,051	13.3
Technical secondary school and below	260	3.3
Total	**7,924**	**100.0**

(III) Employee Title Structure

Title category	Number	Percentage (%)
Senior title	148	1.9
Intermediate title	1,480	18.7
Assistant title	2,000	25.2
Employee level and below	4,296	54.2
Total	**7,924**	**100.0**

Note: The number of employees mentioned above refers to the number of in-service employees who have signed labor contracts with the Group, 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 is 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 Human Resources Department, the Planning and Finance Department and other relevant departments are responsible for the implementation of specific remuneration management issues in accordance with the division of responsibilities. 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 RMB3,023 million in 2023, which consists of short-term remuneration, post-employment benefits — defined contribution plan and termination benefits. Among them, the remuneration of active employees is 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 RMB2,717 million, the post-employment benefits — defined contribution plan (including basic pension, unemployment insurance and enterprise annuity) amounted to RMB276 million, and termination benefits was RMB31 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 and revoked payment and non-cash remuneration. The Bank continued to implement the Dongguan Rural Commercial Bank Deferral Payment of Performance-based Salary Management Measures and the Dongguan Rural Commercial Bank Co., Ltd. Revoked Payment of Performance Compensation Management Measures, and continued to improve the mechanism of the deferred and revoked payment of performance-based compensation. The scope of deferred payment of performance-based compensation 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. 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 accordance with relevant provisions, the Bank revoked performance-based compensation within the corresponding period(s) paid to the senior management and person of key positions who committed violations of laws and

regulations or were exposed to major risks. In 2023, the total number of individuals to whom the Bank implemented deferral payment of performance-based compensation was 2,460, the total provision amount of deferred payment was RMB110 million, and the total amount of revoked performance payment was RMB1.728 million.

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 is mainly based 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 classes of 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

The Bank actively practiced the concept of talent development, responded to the needs of strategic business development, attached importance to the enhancement of employees' professionalism and vocational qualities, and established and improved a full-coverage, classified, and specialized training system for talent cultivation, so as to continue to promote talent training to better support the strategic planning and business development.

Firstly, the Bank launched specialized learning projects. The Bank focused on promoting the training of key talents, such as management cadres, new employees, product managers, and network managers, and organized a variety of learning activities, such as thematic training, exchanges and seminars, practical experience, and reporting on topics, committing to improve their professional competence and comprehensive business qualities. The Bank carried out special trainings on corporate finance, retail finance and risk management for talents in various professional positions.

Secondly, the Bank strengthened the management of training resources. The Bank attached importance to the training and application of internal trainers, and strengthened the summary and transmission of professional knowledge within the Bank. With a focus on strategic priorities, scenario application and improvement of employees' overall competence, the Bank has developed and uploaded nearly 100 micro courses internally and introduced more than 500 professional courses externally, so as to provide its cadres and employees with richer learning resources.

Thirdly, the Bank built an open learning ecosystem. The Bank optimized the construction and management of the online learning platform, and supported and encouraged personalized learning in the workforce. The Bank built the "i School" one-stop learning platform, advocated self-driven learning concepts, provided diversified thematic courses, and organized community activities such as reading and sports, which effectively helped employees broaden their horizons and enhance their skills.

X. SUBSIDIARIES AND BRANCHES

(I) Major Subsidiaries

The Bank's major subsidiaries include 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.

For details about the major subsidiaries, please refer to the Note 19 "Subsidiaries" to the consolidated financial statements in the "Financial Report" chapter in this Report.

(II) Branches

As of the end of the Reporting Period, the Bank has established 39 tier-one branches and sub-branches, 199 tier-two sub-branches and 260 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 Street, Dongguan City	0769-22866666
2	Zhongtang sub-branch	No. 101 Zhongxing Road, Zhongtang Town, Dongguan City	0769-88818522
3	Wangniudun sub-branch	Room 102, No. 25 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

No.	Name of entity	Address	Telephone
8	Humen sub-branch	Room 1001, No. 138 Humen Avenue, Humen Town, Dongguan City	0769-85123142
9	Changan sub-branch	No. 286 Changqing South Street, Chang'an 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. 65 Huangjiang Avenue, Huangjiang Town, Dongguan City	0769-83365136
18	Zhangmutou sub-branch	No. 105 Zhangmutou Section, Guanzhang 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. 17 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	Rooms 101–601, No. 1 Building, No. 72 Xiegang Huayuan Avenue, Xiegang Town, Dongguan City	0769-87765178
23	Changping sub-branch	Room 103, No. 36 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	Room 101, No. 580 Zhongshan West 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

No.	Name of entity	Address	Telephone
29	Chashan sub-branch	No. 82 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	No. 6 South Plaza Road, Gaobu Town, Dongguan City	0769-88871317
32	Donglian sub-branch	Room 101, Building 6, First International Fortune Center, No. 200 Hongfu Road, Nancheng Street, Dongguan City	0769-22856681
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	(Nos. 01, 07, and 08) 1/F and (Nos. 01–10) 2/F, Haoshi Plaza, No. 8 Yanda Avenue, Huizhou City	0752-2169686
37	Qingxin sub-branch	Shops 101 and 201, 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	Rooms 311, 312, 313, and 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

Note: The list contains the tier-one branches and sub-branches only and subsidiaries are not included.

XI. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is responsible for the Bank's risk management and internal control system, and reviews the Bank's comprehensive risk management and internal control system at least once a year. During the Reporting Period, the Bank attached great importance to comprehensive risk management, and formulated the Implementation Opinions on Comprehensive Risk Management of the Bank for 2023 based on the actual work to clarify the focus of work in various risk management areas, ensuring that all risk management work is implemented.

Pursuant to the Guidelines for Comprehensive Risk Management of Financial Institutions in the Banking Industry (《銀行業金融機構全面風險管理指引》) issued by the former CBIRC, the Bank continuously identifies and assesses the credit risk, liquidity risk, market risk, operation risk, compliance risk, legal risk, money laundering risk, information technology risk, reputation risk, strategic risk and other main risks which the Bank and its subsidiaries expose to, and prudently analyzes critic issues exposed to and formulates corresponding management measures, and reports to the senior management and the Board of Directors in time. Upon review by the Board of Directors, the established comprehensive risk management system of the Bank is sufficient and effective, and various risks are at the lower risk level, as well as the comprehensive risk management system built by subsidiaries with the Bank's assistance is also effective and complies with their respective own positioning.

In accordance with the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》) and relevant regulations and under the guidance of the Board of Directors and the Audit Committee of the Board of Directors, the Bank organized and carried out the internal control evaluation in 2023. Upon review by the Board of Directors, the internal control system established by the Bank was sound and effective, and was capable of effectively identifying and controlling various risks, and no major deficiency in internal control were found during the Reporting Period.

Since the comprehensive risk management and internal control system is to manage rather than to 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.

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.

XII. INSIDE INFORMATION MANAGEMENT

The Bank attached great importance to the inside information management, strictly followed the regulatory requirements, strengthened the management of inside information, and timely standardized disclosure of relevant information. In addition, the Bank revised the Administrative Measures for the Information Disclosure of Dongguan Rural Commercial Bank Co., Ltd. (2021 Version) in accordance with 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, and strengthen the management of inside 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.

XIII. 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 groupwide 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

Firstly, the system for management of consolidated entities. During the Reporting Period, the Bank formulated or revised the Administrative Measures for Internal Audit of the Group, the Administrative Measures for Risk Limits of the Group, the Administrative Measures for Reputation Risk of the Group, the Administrative Measures for Liquidity Risk of the Group and other systems, thereby perfecting the system for management of consolidated entities.

Secondly, 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.

Thirdly, 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 complied with regulatory requirements.

Fourthly, 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.

Fifthly, risk management of the Group. During the Reporting Period, the Bank 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.

XIV.AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 24 April 2023, the Bank obtained the approval on the amendments to the Articles of Association of Dongguan Rural Commercial Bank (Dong Yin Bao Jian Fu [2023] No. 21) issued by the former Dongguan Branch of the CBIRC, approving the revised Articles of Association approved by the Bank at the 2022 first extraordinary general meeting held on 19 December 2022. The revised Articles of Association is effective from the date of approval. For the details of amendments to the Articles of Association, please refer to the announcement dated 4 November 2022 and the circular dated 28 November 2022 of the Bank.

XV. AUDITORS AND THEIR COMPENSATION

PricewaterhouseCoopers, the international auditor of the Bank for 2021 (also the international auditor of the Bank for 2020), retired at the conclusion of the 2021 annual general meeting of the Bank on May 23, 2022 and did not offer itself for re-election. As considered and approved at the 2021 general meeting, the Bank appointed KPMG and re-appointed Pan-China Certified Public Accountants LLP as the international and domestic auditors of the Bank for the year of 2022, respectively. The above two accounting firms were also re-appointed as the international and domestic auditors of the Bank for 2023, respectively, at the 2022 general meeting for a term until the conclusion of the forthcoming annual general meeting of the Bank.

The 2023 annual financial statements prepared by the Bank in accordance with the International Accounting Standards have been audited by KPMG who issued standard unqualified audited report; and the 2023 annual financial statements prepared by the Bank in accordance with the Chinese Accounting Standards 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 Bank, in respect of audit services and other services for the year ended December 31, 2023 is set out below:

(Unit: RMB)

Service	KPMG	Pan-China Certified Public Accountants LLP
Audit services	3,792,453	2,538,547
Non-audit services	1,707,196	539,906
Total	**5,499,649**	**3,078,454**

During the Reporting Period, the 2023 interim financial report and 2023 annual financial report of the Group prepared in accordance with the International Financial Reporting Standards were reviewed and audited by KPMG respectively, and the total audit fee was RMB3.79 million. The 2023 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, and the total audit fee was RMB2.54 million. Other audit services included auditing of financial reports of our subsidiaries.

During the Reporting Period, KPMG and its group member provided the Group with non-audit services such as consultation on tax, digital transformation and IT strategic planning, due diligence, etc. at the fee of RMB1.71 million. The fees for non-audit services provided by Pan-China Certified Public Accountants LLP to the Group totaled RMB0.54 million, of which mainly relates to bond issuance. KPMG and Pan-China Certified Public Accountants LLP confirmed that such non-audit services would not impair their audit independence.

XVI.CORPORATE CULTURE

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, and with Party building as guidance, the Bank firmly created the Dongguan Rural Commercial Bank culture that responds to the trend of the times and highlights its own characteristics. Focusing on the goal of "building a regional modern rural commercial banking group", and the business philosophy of "customer-focused, market-oriented and efficiency-oriented", the Bank shaped a corporate culture with distinctive characteristics, providing strong spiritual impetus for the transformation and upgrading of the Bank. The Bank kept a tight hold on operation and management and upheld the core cultural concept, 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.

XVII. WHISTLEBLOWING AND ANTI-CORRUPTION

The Bank established a supervision and whistleblowing mechanism to provide smooth reporting channels. Employees have the right to report violations of laws and disciplines in a timely manner according to regulations, and can report the problems through various channels such as the monthly disciplinary committee visit day, letter, e-mail, complaint hotline, etc. Reward can be given to report and resist violations of laws and regulations.

The Bank strengthened financial anti-corruption efforts and strictly implemented discipline accountability. The Bank has formulated the management measures for employees' violations, and those who violate the requirements of integrity will be held accountable. Those who violate the criminal law shall be transferred to the judicial authority for handling according to law.

The Bank promoted the construction of a clean financial culture and created a clean and positive atmosphere. The Bank actively cultivated and practiced the integrity concept of "promoting development with integrity and honesty", and integrated the construction of a clean financial culture into the whole process of business operation, customer service and internal management. The Bank strengthened the warning education, comprehensively enhanced employees' awareness of integrity, and built a line of defense against corruption.

XVIII. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting the period, the Bank adopted and complied with all the applicable code provisions set out in Part 2 of the Corporate Governance Code, except for the following:

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. After Mr. Wang Yaoqiu resigned as Chairman of the Bank on 28 April 2023, Mr. Fu Qiang, an executive Director and the president of the Bank, performed the duties of the chairman of the Bank until a new chairman is elected and his qualification is approved by the regulatory authorities. On 25 May 2023, the Board of Directors of the Bank unanimously elected Mr. Lu Guofeng as the Chairman of the Bank. The qualification of Mr. Lu Guofeng as the chairman has been approved by the regulatory authorities on 27 December 2023, the positions of the chairman and the president of the Bank were performed by different persons. Thus, as of the end of the Reporting Period, the Bank has complied with Code provision C.2.1 of Part II of the Corporate Governance Code.

Code provision B.2.2 stipulates that every director (including the director with a designated term of office) should be subject to retirement by rotation at least once every three years. Reference is made to the announcement of the Bank dated 4 November 2022, the three-year term of the fourth session of the Board of Directors and Board of Supervisors of the Bank have already expired. Considering the re-election of the Board of Directors and the Board of Supervisors is still in preparation, the terms of office of the fourth session of the Board of Directors and the Board of Supervisors (except those who resign or are removed during the period) will be accordingly extended to ensure the continuity of their work in accordance with the Articles of Association of the Bank in order to support the related re-election work, and the terms of office of their special committees will also be accordingly extended.

Chapter VIII 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 31 December 2023.

I. BUSINESS REVIEW

(I) Principal Activities

Licensed item: banking business. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments. For specific business items, approval documents or licenses of relevant departments shall prevail.)

(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 "Environmental, Social and Governance" and "Corporate Governance Report" chapters 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) 2023 Profit Distribution Plan

The Bank proposed to (i) provide 10% or RMB506 million of the audited net profit of the Bank for the year of 2023 as statutory surplus reserve, (ii) provide 10% or RMB506 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, and (iii) based on total share capital, cash dividends of RMB0.265 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 2023 annual general meeting.

The final dividend, if approved by the Shareholders at the 2023 annual general meeting, is expected to be paid before July 31, 2024 and are denominated in Renminbi and will be paid to Domestic Shareholders in Renminbi and H Shareholders in HK dollars. 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 2023 Annual General Meeting and the four preceding business days.

Further details in relation to the distribution of the final dividend and the relevant closure register of members arrangement will be announced in the circular of 2023 annual general meeting of the Bank.

(II) Profit Distribution in the Past Three Years

Item	2023[1]	2022	2021 Profit distribution for the year	2021 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)	0.265	0.29	0.29	0.15
Cash dividend (tax inclusive, in millions of RMB)	1,825	1,998	1,998	861
Percentage of cash dividend to net profit attributable to the Parent Company (%)	35.37	33.68	35.74	—

Notes:

(1) The profit distribution plan for 2023 is subject to consideration and approval at the 2023 annual general meeting.

(2) Pursuant to the resolution passed at the general meeting held on 25 April 2019, the Bank distributed a special cash dividend on 22 September 2021 to the shareholders whose names appeared on the register of members on 31 August 2021.

No shareholder has waived or agreed to waive any dividend under any arrangement.

(III) Profit Distribution Policy and Implementation Thereof

The profit distribution of the Bank attaches great importance to the reasonable investment returns to investors, maintains the continuity and stability of the profit distribution policy, and takes into account the overall interests of all shareholders and the sustainable development of the Bank. After the Bank has made allocations to the reserve fund and the general reserve, the remaining profits after tax may be distributed to shareholders in proportion to their shareholdings in accordance with the distribution plan approved at the 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. The dividend distribution standards and proportion are clear, and the decision-making procedures and mechanisms are complete. The independent non-executive directors shall express 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 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 2023. 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 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 2023. 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 temporarily 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 2023 annual general meeting and closure of register of members of the Bank.

IV. SHARES ISSUED

As of the end of the Reporting Period, the Bank issued 6,888,545,510 Shares. Among which, 5,740,454,510 shares are Domestic Shares and 1,148,091,000 shares are H Shares.

V. ISSUANCE, PURCHASE, SALE OR REDEMPTION OF BONDS

During the Reporting Period, as approved by the Affirmative Decision of Administration License of the People's Bank of China on Granting (Yin Xu Zhun Yu Jue Zi [2023] No. 80), the Bank issued the first tranche of green financial bonds for 2023 of RMB1.5 billion, the first tranche of "Sannong" specialized financial bonds for 2023 of RMB1 billion, the first and second tranches of small and micro financial bonds for 2023 of RMB2.5 billion and RMB1.5 billion respectively, and the first tranche of financial bonds for 2023 of RMB1.5 billion, with fixed coupon rates of 2.66%, 2.73%, 2.73%, 2.80% and 2.83% respectively and all with a term of three years. Zhanjiang Rural Commercial Bank, a subsidiary of the Bank, sold the first tranche of small and micro-enterprise loan specialized financial bonds for 2021 issued by the Bank in the national inter-bank bond market, with a sale scale of RMB50 million.

Save as disclosed above, the Bank or its subsidiaries did not purchase, sell or redeem any bonds issued by the Bank or its subsidiaries during the Reporting Period.

VI. SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's operating results, asset and liabilities for the last five years as of the end of the Reporting Period is set out in the "Accounting Data and Financial Indicators Highlights" 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 totaled RMB16.14 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 "Property and equipment" to the Consolidated Financial Statements in the "Financial Report" chapter of this Report.

X. RETIREMENT BENEFITS

Details of retirement benefits provided to employees by the Group are set out in note 32(a) "Employee benefits payable" to the Consolidated Financial Statements in the "Financial Report" chapter of this Report. As of 31 December 2023, there was no forfeited contributions under the Group's retirement benefit scheme may be used to deduct the contributions due in future years.

XI. MAJOR CUSTOMERS

As of the end of the Reporting Period, the balance of loans to any single borrower granted by the Bank did not exceed 10% of the net capital of the Bank.

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, arrangements or contracts, contractual interests and service contracts of Directors and Supervisors, please refer to the "Directors, Supervisors and Senior Management" section in the "Corporate Governance Report" 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

During the Reporting Period, 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

During the Reporting Period, the Bank did not enter into or renew any equity linked agreement.

XVI. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, none of the Bank or any of its subsidiaries was a party to any arrangements to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

XVII. CORPORATE GOVERNANCE

Please refer to the "Corporate Governance Report" chapter of this Report for details.

XVIII. RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with "related parties" as defined under the International Accounting Standards. A summary of the related party transactions entered into by the Group during the Reporting Period is contained in note 41 "Related party transactions" to the consolidated financial statements under the "Financial Report" section of this Report.

(I) Related party transactions under the scope of CBIRC

As of the end of 31 December 2023, the Bank's largest single related party credit balance was RMB1.097 billion, accounting for 1.87% of the Bank's net capital; the aggregate credit balance granted to the largest single related corporate or unincorporated organization by the Bank was RMB3.730 billion, accounting for 6.37% of the Bank's net capital; the credit balance granted to all related parties by the Bank was RMB17.736 billion, accounting for 30.28% of the Bank's net capital. During the Reporting Period, the Bank's related party transactions were conducted based on the fair and equitable business principles and on terms no favorable than those of similar customers. The indicators of all related party transactions were in compliance with regulatory provisions and the risks were controllable, safeguarding the interests of all shareholders.

(II) Connected transactions under the Listing Rules

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 38% 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 have constituted connected transactions of the Bank pursuant to Chapter 14A of the Listing Rules. For details, please refer to the Global Offering Prospectus of the Bank dated September 16, 2021.

The Board of Directors (including independent non-executive 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.

2. Other connected transactions

Pursuant to Chapter 14A of the Listing Rules, transactions between the Bank and connected person (as defined in the Listing Rules) will constitute connected transactions of the Bank. However, such connected transactions are exempt from all requirements of reporting, annual review, announcement and independent Shareholders' approval. Except for the above disclosure, the Bank has reviewed all connected transactions during the Reporting Period and confirmed that the connected transactions of the Bank were all conducted in the ordinary and usual course of the Bank's business under normal commercial terms, and in compliance with the full exemptions of Chapter 14A of the Listing Rules.

Chapter 14A of the Listing Rules defines connected person differently from IAS 24 Related Party Disclosures and the IASB. The certain related party transactions set out in note 41 to the consolidated financial statements in the "Financial Report" chapter in this Report constitute connected transactions or continuing connected transactions of the Bank under the Listing Rules, but none of which constitute discloseable connected transaction under Chapter 14A of the Listing Rules.

(III) 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 Banks and Insurance Institutions (《銀行保險機構關聯交易管理辦法》). As of 31 December 2023, the credit balance of related party transactions occurred between the Bank and related individuals were RMB280,377,700, and the risk exposure was RMB280,377,700. 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 Company nor their related parties had used any funds of the Bank under illegal occupation, nor had any of them misappropriate any fund of the Bank through any unfair related party transactions.

XX. CONSUMER PROTECTION

The Bank always puts the people first, and stands firmly on the position of the people, striving to realize, safeguard and develop the fundamental interests of the great majority of the people. The Bank fully implemented the requirements of regulatory systems, such as the "Guiding Opinions of the China Banking and Insurance Regulatory Commission on Strengthening the Establishment of the System and Mechanism of Consumer Rights and Interests Protection by Banking and Insurance Institutions", the "Administrative Measures for the Protection of Consumer Rights and Interests of Banking and Insurance Institutions", and the "Measures for Implementing the Protection of the Rights and Interests of Financial Consumers by the People's Bank of China". In addition, the Bank continuously improved its organizational structure and institutional mechanisms, continued to strengthen the control of the whole process of consumer protection, promote the Group to form a full-scene, full-chain, and long-term control mechanism, and establish a "big consumer rights protection" working pattern of all-employees, full-service and whole-process, so as to protect the people's livelihood wholeheartedly.

(I) Consumer Rights Protection in 2023

1. Our initial heart is as solid as a rock, and we'll stand together with our customers, rain or shine.

The year 2023 was not only the first year for the establishment of the National Financial Regulatory Administration, but also the year for the reform of the Bank's organizational structure. The Bank has unified its thought and understanding, adhered to the people's financial background, fulfilled the original intention of consumer protection for the people, and took people's rights and interests as the "first consideration" to build a new working pattern of "big consumer rights protection". Firstly, the Bank took advantage of the situation and restructured its organizational structure. Based on the construction principle of "clear hierarchy, distinct responsibilities, and efficient operation", the Bank has constructed a "1+N" collaborative consumer protection work model with the goal of achieving the optimal overall value. Secondly, the Bank followed the trend and reset the functions of its headquarter and branches. The leading department of consumer protection coordinated the collection from multiple dimensions such as review, inspection, training, education and complaints in accordance with the principle of "collecting as much as possible", so as to strengthen the professionalism of consumer protection management. Thirdly, the Bank reshaped its working process in response to the new trend. Based on the principles of "standardized, online, intensive, and agile", the Bank reshaped the workflow of consumer protection review and complaint handling through value creation along the lines of customer demand.

2. The Bank kept perseverance to pursue perfection, and undertook missions on its shoulders.

The Bank fulfilled its mission of providing financial services to the people, assumed the responsibility of consumer protection, took the people's satisfaction as the "first driving force", and made full use of the "wisdom of consumer protection" to enhance the foresight, precision, synergy and effectiveness of internal management. Firstly, the Bank strengthened the assessment management and made good use of the "baton" of real assessment. The Bank comprehensively improved the scientific content of the assessment, the pertinence of the assessment object, the operability of the assessment implementation and the constraint of the application of the assessment results, and gave full play to the positive guiding role of the assessment and evaluation of consumer protection, so as to vertically promote the implementation of consumer protection from the top to the bottom. Secondly, the Bank optimized training and education, and built a "refueling station" of the "five-learning linkage" (五學聯動). The Bank has created a new training model of "five-learning linkage", which includes "cadres taking the lead in learning, in-depth learning through thematic topics, key learning by post division, learning for excellence through competition, and comprehensive learning through case studies", with 182 training sessions throughout the year, covering more than 46,000 employees and 44,500 consumers. Thirdly, the Bank deepened group synergies and did a good job as the "impeller" in empowering the parent bank. Through the establishment of a regular communication mechanism, regular organization of exchanges and guidance on system construction, the Bank has steadily transferred its consumer protection experience to its subsidiaries and management institutions in 99 batches.

3. *The Bank pursued common goals and always followed same principles.*

The Bank regarded the vital interests of the people as the "first standard" for construction of the consumer protection system and mechanism, and promoted the implementation of the relevant requirements. Firstly, the Bank has taken the lead in requesting its Directors, Supervisors and senior management to consider and study consumer protection. The Bank has incorporated consumer protection into its business development strategy and corporate governance. The Board of Directors, the Consumer Council, the Board of Supervisors, and the senior management have reviewed a cumulative total of 38 proposals on consumer protection, overseeing the comprehensive, timely and effective implementation of consumer protection. Secondly, the Bank focused on hot spots to conduct satisfaction surveys base on public opinion. Focusing on the hot pots of housing mortgage and "breaking cards" (which means cracking down on, controlling and punishing illegal criminal gangs that operate and sell the "two cards"), the Bank launched two consumer satisfaction surveys in the pop-up window on the homepage of its mobile banking, with a cumulative total of 3,925 participants, recovering 272 questionnaires with substantive recommendations and promoting 48 rectification items. Thirdly, the Bank has revised its core system of consumer protection in accordance with the latest regulatory requirements. The Bank has revised the Administrative Measures for the Protection of Consumer Rights and Interests, the Implementation Rules for Handling Consumer Complaints, and the Emergency Response Plan for Major Consumer Complaints in accordance with the latest regulatory requirements, so as to ensure that the responsibilities are clear, the processes are smooth, and the content is detailed. Fourthly, the Bank took the lead in reviewing consumer protection regarding products and services, with a focus on risk control. From the perspective of consumers, the Bank has conducted a total of 1,315 reviews of consumer protection regarding products and services in 2023, and put forward 175 risk mitigation recommendations with an adoption rate of 100%, so as to further exert the proactive and forward-looking risk control efficiency. Fifthly, the Bank step up inspection and traceability management based on supervision. The Bank effectively supervised all aspects of the sale of products and services, carried out a total of 6 special inspections on consumer protection involving 21 items, and provided personalized assistance and targeted guidance to relevant organizations.

4. *The Bank kept persevering, and sought innovation and breakthrough on the basis of upholding traditional moral codes, values and cultural traditions.*

The Bank took the people's urgent needs for financial knowledge as its "first signal" and promoted financial knowledge through thematic interaction, regular popularization, three-dimensional dissemination and multi-dimensional promotion. Firstly, the Bank set an example and take the lead in launching publicity and education activities. With the opportunity of intensive publicity and education activities including "3·15 consumers' interests protection education and publicity week", "popularizing financial knowledge for ten thousands of miles", "Holding on to Your Wallet", and "Education and Publicity Month for Financial Consumer Rights Protection", the head office leaders of the Bank and the persons in charge of the various departments of the Bank gave full play to the role of the "bellwether" and "head goose", personally planed, deployed, and released the positive energy of "the below following the behavior of the above". The Bank launched a total of 222 publicity and education activities targeting key groups such as "the old, the young, the weak, and the new", covering 442,000 consumers, and published 82 online publicity and education messages, reaching nearly 625,000 consumers. Secondly, the Bank explored and innovated to set up a comprehensive online publicity and education zone. The Bank completed the establishment of the consumer protection publicity and education zone through all online channels, including its official website, mobile banking and WeChat Official Account. A total of 35 original messages on consumer protection were created and released during the year, and tweets and videos were continuously updated through a "collection menu", transforming publicity from the single "face-to-face" mode to the digitalized "screen-to-screen" mode. Thirdly, the Bank strove for excellence and successfully held original works competition. In order to tell the story of consumer protection and convey the voice of consumer protection, the Bank initiated a competition for original publicity and education works, and collected 74 original publicity and education works such as various types of images, texts and videos, of which three outstanding video works were shortlisted for the “Second Session of the Most Beautiful Financial Consumer” exhibition organized by the National Financial Regulatory Administration.

5. *The Bank targeted inwards to overcome difficulties.*

The Bank took the voices of the people as the “first response”. In the face of the external situation where the people have more expectations for financial services and the consumer complaints of the whole industry are running at a high level, the Bank has taken the initiative to investigate the weak links in the current complaint handling work one by one, and kept the determination of complaint management unchanged and the scale not loosed. Firstly, the Bank implemented targeted policies. The Bank formulated the “Implementation Plan for Consumer Complaint Reduction” to further deepen the internal and external communication and collaboration on complaint reduction by establishing an internal interdepartmental collaboration team and opening up external coordination and liaison channels. Secondly, the Bank tackled challenges and overcame difficulties. The Bank promoted the normalized system of resolving backlogs of cases, insisted on “one case, one discussion”, and strengthened the analysis and judgment of difficult complaints and their disposal. Thirdly, the Bank addressed both symptoms and root causes. The Bank issued the Work Plan for Comprehensive Complaints Management to promote the concepts of systematic management of complaints and management of problems at source by means of inventory, carpet checking, targeted tackling, and overall planning and coordination of resources, so as to form a closed loop of “self-examination — rectification — tracking — review” in the comprehensive management of complaints with a view to achieve the objectives of a significant decrease in the number of leapfrog complaints, a significant reduction in the number of escalated complaints, a significant improvement in the level of complaint management, and a significant increase in consumer satisfaction across the Bank. Fourthly, the Bank kept the channels smoothly. The Bank continued to smooth the channels in combination of “online + offline” and “sitting + visiting” for receiving and handling visits, and the key leading cadres of the Bank commanded the work at the front line and at the grass roots to meet and talk with consumers and promote the resolution of disputes.

(II) Complaint Handling in 2023

As of 31 December 2023, a total of 1,316 consumer complaints have been accepted and handled, with an annual average of 2.64 complaints per outlet and 0.65 complaint every 10,000 individual customers, with a complaint resolution rate of 100%. 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, Guangzhou, Huizhou, Qingyuan and Zhuhai represented 99.39%, 0.08%, 0.38%, 0.15% and 0% of all complaints, respectively.

Secondly, from the perspective of the business type of complaints, loan business and bank card business were the fields with frequent complaints. Customer complaints were related to loan business, debit card business, RMB saving business, credit card business, and wealth management, payment and settlement, intermediary business and others, with 394, 398, 76, 370 and 78 complaints, respectively, representing 29.93%, 30.24%, 5.78%, 28.12% and 5.93% of all complaints, respectively.

(III) Prospects for Consumer Rights Protection in 2024

The Bank has always fulfilled its responsibility as the main force of local finance. Based on the regional market, the Bank efficiently integrated advantageous resources, and guided consumers to learn finance, understand finance, trust finance, and use finance to spread financial information by all means. In the future, Dongguan Rural Commercial Bank will adhere to the integrity management as its foundation, integrate the concept of integrity into every link of operation and management, and into every details of employees' behaviors. In addition, the Bank will be a good defender of the legitimate rights and interests of financial consumers, and continue to enhance financial consumers' sense of gain, happiness, and security, so as to contribute to the construction of a healthy, harmonious and stable financial consumption environment.

Chapter IX
Report of the Board of Supervisors

In 2023, the Board of Supervisors of the Bank, upholding the spirit of the Central Financial Work Conference, strictly implemented the supervisory requirements, conscientiously carried out the decisions and deployments of the Party Committee of the Head Office of the Bank, and, taking the strengthening of corporate governance and the service of business operation as the fundamental, conscientiously fulfilled the supervisory duties, carried out the supervision work in earnest, and continuously enhanced the effectiveness of the supervision, playing an effective and positive role in the prevention and mitigation of major risks, the operation in accordance with laws and regulations, and the reform and innovation in the areas of strengthening the supervision and promoting the development.

I. Main Work of Board of Supervisors

(I) Strengthening the foundation of supervision and effectively reinforcing corporate governance capacity

1. Continuously improving the institutional system. The Board of Supervisors formulated the Guidelines for Supervisors in Performing Their Duties and revised the Measures for the Work of Employee Supervisors of the Board of Supervisors, the Measures for the Implementation of the Work of the Board of Supervisors, and the Provisions on the Job Duties and Management of the Office of Board of Supervisors, further clarifying the work content, work requirements and workflow of supervisors, clarifying the scope of duties to be undertaken by supervisors, highlighting the applicability and orientation of the system guidelines while meeting the regulatory requirements, and forming an effective "system library, tool library and information library" to support the performance of duties. Therefore, the Board of Supervisors has been provided with institutional safeguards that are in line with policy orientation, regulatory requirements and work practices for the high-quality fulfillment of its supervisory duties.

2. Improving the efficiency and quality of deliberations and supervisions. Throughout the year, nine meetings of the Board of Supervisors were organized, 161 motions were considered, and 86 motions were heard and examined, with a broader coverage than in previous years. On the one hand, in order to build a "short, flat and fast" fast-response supervisory mechanism, the deliberation and supervision methods of the Board of Supervisors have been rationally optimized, and the forms of the meetings of Board of Supervisors are classified according to the attributes of the topics of the Board of Supervisors. If the topic content involves a major matter of the Bank, it is held in the form of an on-site meeting, while for other matters, it is held in the form of circulation and signature in writing, which has effectively improved the efficiency of the Board of Supervisors in the performance of its duties. On the other hand, comprehensive and detailed information is provided to the members of the Board of Supervisors in a timely manner before the meeting to ensure the Board of Supervisors' right to know about major matters and its effective supervision on key motions and key contents, and the opinions and suggestions expressed by the Supervisors are recorded in detail, so as to ensure the effective feedback, tracking and implementation of the Board of Supervisors' opinions, and to continuously improve the quality and efficiency of the meeting.

3. Constantly enhancing the capacity building. On the one hand, the Board of Supervisors actively strengthened the accumulation of theories. The Board of Supervisors established a "weekly study" mechanism to actively study national policies, regulatory developments, industry information, important speeches of leaders and the Bank's mechanism and system reform programs, so as to continuously improve its political literacy and professional competence, and enhance the cohesion and combativeness of the Board of Supervisors and the relevant business backbones with strong political leadership, and promote the effective implementation of supervisory work of the Bank. The Board of Supervisors organized special training for supervisors on anti-money laundering and anti-terrorist financing to further familiarize them with the relevant duties, obligations and prohibited acts, and improve their capability in duty performance and supervision. On the other hand, the Board of Supervisors regularly visited and learned from the peers. The Chairman of Board of Supervisors led the persons in charge and business backbones of the Office of Board of Supervisors and the Audit Department to Jiangsu Jiangnan Rural Commercial Bank and Foshan Rural Commercial Bank to carry out learning and exchange activities in turn. They carried out in-depth exchanges and discussions on the construction of corporate governance mechanism and management of supervisory duty performance, and identified specific improvement measures such as "improving the system of Board of Supervisors, effectively implementing differentiated performance evaluation, and giving full play to the professional advantages of supervisors", taking into account the actual situation of the Bank, and making a careful comparison and analysis to identify the gaps.

(II) Insisting on comprehensive coverage and strict implementation of regulatory requirements

1. Effectively promoting duty performance supervision. With the method of combining daily supervision and focused supervision, the Board of Supervisors effectively promoted the supervision on the performance of duties by the directors and senior management. On the one hand, it strengthened the two-line supervision on the proceedings of meetings and the daily performance of duties of the board of directors and senior management, supplemented by special audit supervision as an effective means. The Board of Supervisors attended the meetings of the Party Committee, the General Meetings and the important meetings of the Board of Directors and the senior management to get a comprehensive understanding of the performance of duties and responsibilities by directors and senior management, supervise and follow up on the effectiveness of the implementation of decisions made at meetings of the Board of Directors and the senior management. It organized and carried out special audits of committees under the Board of Directors and senior management, focusing on verifying the performance of the committees in the daily management of meetings, system construction and implementation, and requesting to strengthen the rectification of the problems identified, so as to promote standardized operation. On the other hand, it conducted high-quality evaluations on the annual performance of directors, supervisors and senior management. On the basis of the organizing self-assessment, mutual assessment and evaluation by the Board of Directors, the Board of Supervisors innovatively introduced external evaluation by hiring an authoritative external auditing institution to objectively evaluate the performance of the directors, supervisors and senior management. The Board of Supervisors will form the final evaluation results based on a comprehensive consideration of the results of each evaluation session and the information on duty performance acquired in the course of daily supervision, and will report the results of the performance evaluation to the supervisory authorities and the general meeting as required. For any identified problems in duty performance, it will make timely management recommendations to the Board of Directors and senior management, so as to promote governance team to improve the ability and effectiveness of its performance.

2. Practically carrying out financial supervision. Giving a high priority to the supervision on the financial management status of the Bank, the Board of Supervisors has constantly enhanced its daily supervision, follow-up and inspection efforts. It strictly required the relevant departments of the head office to implement the information reporting mechanism, carefully analyzed the important financial data and business performance reported by the relevant departments, strictly examined and controlled the annual reports, profit distribution plans, financial budgets and final accounts, and other major financial matters, and expressed pertinent opinions in accordance with statutory requirements. It worked with the Audit Department to conduct special audits on cost control, expected credit loss method management, liquidity risk management and financial management, and proactively provided targeted supervisory advice on the problems identified. It strengthened the supervision on year-end audits by sending letters to the external auditors to alert them of the risk areas that need to be focused on and improve the quality of the audit work, and requesting the relevant departments of the Bank to improve the system and process of managing the commissioning of external audits, and to strengthen inter-departmental communication and linkage with the external auditors.

3. Strengthening internal control and case prevention supervision. First, the monitoring of the effectiveness of internal controls was strengthened. The Board of Supervisors debriefed carefully the Audit Department's evaluation report on the design and operation of internal control, and gained an in-depth understanding of the Bank's internal control organization, system construction and implementation, quality of internal control inspections, rectification of problems and accountability. For the problems identified in internal control inspections and self-evaluations, it issued special supervisory opinions to promote enhanced rectification and improve the level of compliant operation. Second, the improvement of the quality of problem rectification was promoted. Taking the long-term governance of problem rectification as an effective means to plug the loopholes in internal control management, the Board of Supervisors implemented the working mechanism of "full tracking, precise supervision and regular notification", focusing on following up the rectification and implementation of supervisory and management opinions put forward by supervisory units, and comprehensively examined the inadequacies of the Bank's rectification and management in terms of system construction, delineation of responsibilities, workflow, assessment and evaluation. A number of written supervisory opinions such as "Supervisory Opinions on Implementation of Regulatory Opinions" and "Supervisory Opinions on Regulatory Rating Work" were formulated, which were considered by the Board of Supervisors and timely feedback was provided to the Board of Directors, the senior management and the relevant departments, in order to promote a sound management mechanism for rectification of the problems, clarify the responsibility for rectification and facilitate the promotion of rectification and integration of the business operation. Third, special attention was paid to the Bank's case prevention work and practitioners' behavior management. The Board of Supervisors put forward opinions and suggestions on strengthening management responsibility, focusing on key links, deepening system implementation and problem rectification, with an aim to improve the self-construction capability of case prevention management and the level of employee behavior management.

(III) Highlighting key points, clarifying supervision responsibilities for risk management

1. Enhancing supervision and prompt efforts, focusing on credit management. On the basis of focusing on the Bank's risk level, risk management, risk tolerance assessment, compliance with the risk supervision indicators of the supervisory authorities and the optimization plan of the Bank's new credit management mechanism, the Board of Supervisors has carried out a series of supervisory inspections by fanning out from point to area to prompt risks in a timely manner. First, a special audit of large loans was conducted jointly with the Audit Department. The Board of Supervisors analyzed in depth the risk exposure of the Bank's large loans, revealed deep-rooted problems in the Bank's credit management and compliance construction, and put forward targeted management recommendations in terms of scale control, risk control construction, clearing irregularly occupied loans and mitigating risks, and optimizing increment, so as to promote the Bank to pay equal attention to preventing and controlling new risks and resolving existing risks, find outing the truth and accelerating disposal, and strengthening traditional means and exploring innovative ways. Second, a joint meeting was organized to monitor the quality of risky assets. The Board of Supervisors gained an in-depth understanding of the risk resolution and disposal of the Bank's high-risk and non-performing loans, focused on prompting the relevant responsible departments to resolve risks in a truthful and compliant manner and accurately classify loan risks, and proposed that the Bank as a whole should strengthen synergies and cooperation, enhance the allocation of resources, and steadily resolve the problem of non-performing assets liquidation. Thirdly, special supervision of the online lending business was carried out. In view of the objective situation that the Bank's online lending business is "small in overall scale but not small in non-performing pressure", the Board of Supervisors issued a reminder to the relevant departments, suggesting to improve the management of the supply of online lending products, strengthen the main responsibility for the online lending risk control, strengthen the management of the online lending risk model, and enhance the disposal of online lending risks.

2. Promoting risk management, focusing on important areas. Taking risk management policy and system formulation and implementation as an entry point, the Board of Supervisors continued to strengthen supervision in the areas of comprehensive risk management, money laundering risk, liquidity risk, reputational risk, operational risk management, information technology risk, market risk, banking book interest rate risk, compliance risk, and stress test management. Focusing on the comprehensive risk management work report and annual work implementation opinions, anti-money laundering law enforcement inspection and rectification report, the performance of the three lines of defense for operational risk management, the Bank's involvement in the public opinions, and the problem found in the IT risk audit, it prudently evaluated the risk control of the key areas from the perspectives of the effectiveness of the risk prevention and control measures, standardization of the content of the system, the process and the authority involved, and the reasonableness of the division of responsibilities, etc., and put forward seven written work proposals or supervisory evaluation opinions in light of the actual situation, with a total of 21 work recommendations. The relevant written supervisory documents were considered by the Board of Supervisors and then sent to the Board of Directors and senior management to supervise and advise to further improve the operation and management mechanism, strengthen the risk control and enhance the operation and management level.

(IV) Actively serving the overall work of the service center, focusing on operation and management

1. Assisting the development of affiliated (management) organizations. On the one hand, focusing on the Group's consolidation management, the Bank was requested to strengthen control and supervision at the Group level in light of the conclusions of the Audit Department's consolidation management audit, establish and improve the Group's unified policy on the management of cooperative organizations, refine the boundaries of the daily responsibilities of the functional departments responsible for the consolidation management, intensify the assistance provided to subsidiaries, as well as promote the construction of the IT system for the consolidation management. On the other hand, the Board of Supervisors went to Chaoyang RCB, Puning RCB, Huizhou Zhongkai Dongying County Bank and Dongguan Dalang Dongying County Bank to carry out research work, held in-depth discussions with members of the operating team and heads of the relevant departments and offices, and made on-site visits to some of the branches and outlets to gain a comprehensive understanding of their work in the areas of operation and development, risk mitigation, outlet construction, personnel management and future plans, and to provide guidance for the next stage of work.

2. Paying constant attention to consumer protection. The Board of Supervisors carefully considered the annual report on consumer protection work and the relevant system of consumer protection, organized special seminars on consumer protection work, debriefed reports on important work of consumer protection. The Chairman of the Board of Supervisors, on behalf of the Board of Supervisors, put forward work requirements for the next stage of work of consumer protection, and actively promoted the continuous improvement of the work of consumer protection in the areas of institution building, mechanism operation, education and publicity, and complaint resolution, in order to enhance the customer experience, and safeguard the legitimate rights and interests of consumers in a practical manner.

3. Supervising the operation of service lines. On the one hand, the Board of Supervisors, led by the Chairman of the Board of Supervisors, went to Qiaotou, Wangniudun, Tangxia and Huizhou branches to carry out supervision and research on the operation for "making a good start", have a comprehensive understanding of the completion status of the various targets for "making a good start" in each branch, as well as promote reforms and cleanliness and self-discipline and other aspects of the work, so as to urge the first-level branches to keep a close watch on the target, take the initiative to act, accurately apply the measures, and promote the full implementation of the objectives and tasks set by the Group working conference. On the other hand, external supervisors led the research on the marketing of inclusive financial products, exploring the shortcomings of the Bank's inclusive financial product marketing in terms of product demand development, accurate customer acquisition, differentiated pricing, and marketing channels, and putting forward targeted opinions and suggestions to supervise and promote the Bank's efforts to reshape the competitive advantages of its inclusive products.

(V) Pooling the efforts of all parties to effectively leverage the synergy of supervision

1. Strengthening the linkages with directors and senior management. Upholding the practice of information sharing between the Board of Supervisors, the Board of Directors and the senior management in terms of macro information, management information, peer information, and risk alerts, the Board of Supervisors organized the supervisors and the independent directors to carry out duty performance discussions, exchange opinions and suggestions on the Bank's major operation and management matters, enhancement of the effectiveness of the duty performance and deepening of the cooperation and exchange among the directors and supervisors, and conduct a full discussion of the Bank's connected transaction management, outbound investment support, Group consolidation management, consolidation of the market of villages and groups, customer operation and the creation of the brand image of the listed bank in accordance with the practice of performing duties, thus realizing effective and close communications and exchanges with the governance team, and playing an active role in promoting the improvement of the Bank's corporate governance.

2. Deepening the synergy of supervisory lines. On the one hand, by accessing information, debriefing reports, and regularly organizing joint meetings on supervision of operation and management, the Board of Supervisors closely followed up the performance of the Comprehensive Risk Management Department, the Compliance Department, the Audit Department and other relevant departments and their supervisory effects, and requested the internal supervisory departments to adhere to their roles, maintain good communication and coordination, effectively integrate the supervisory resources, focus on the key positions, key areas and major risks, and provide targeted reminders of the existence of problems, and give reasonable opinions and suggestions, so as to practically promote the enhancement of the Bank's operation and management level. On the other hand, it focused on strengthening the supervision and guidance of internal audit. The Board of Supervisors included the relevant audit matters in the deliberations of the meetings of the Board of Supervisors to ensure that the members of the Board of Supervisors have a comprehensive understanding of the audit work plan and program, the audit findings as well as the rectification of the problems identified in the inspection, and sent its members to attend the review meetings of the audit projects to provide whole-process supervision and guidance on the Bank's audit work. It worked with the audit department to carry out a number of audits in key areas, made constructive suggestions for improvement in a multi-dimensional manner in response to the problems identified in the audits, and continuously followed up on the status of rectification.

II. Work of External Supervisors

In 2023, the Bank's external supervisors, Ms. Wei Haiying, Mr. Yang Biao, Mr. Zhang Bangyong and Ms. Mai Xiuhua, performed their supervisory duties in strict accordance with the provisions of the Bank's Articles of Association. They attended all the meetings of the Board of Supervisors and meetings of the special committees during the year, and conscientiously devoted themselves to the study of and decisions on important matters of the Supervisory Committee; participated in the general meeting and attended the meetings of the Board of Directors and its committees in accordance with the regulations; led a special research on the Board of Supervisors, aiming to promote the improvement of the Bank's corporate governance and management level; actively participated in the special audit of the Board of Directors and the specialized committees under the senior management as well as the training on anti-money laundering and counter-terrorist financing in 2023, and complied with the statutory requirements when working at the Bank. Giving full play to their professional advantages, the external supervisors performed their duties in accordance with the law, objectively and independently, conscientiously and actively, and put forward highly constructive opinions and suggestions on the Bank's new situation of high-quality development, which provided strong support for the Board of Supervisors to successfully complete the supervisory work.

III. Independent Opinions of the Board of Supervisors on Relevant Matters

(I) Operation According to Law

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

(II) Authenticity of Financial Reports

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

(III) Risk Management

During the Reporting Period, with the goal of improving the risk management level of the Bank as a whole, the Bank continued to improve its comprehensive risk management and other tasks. The Bank's risk management work was overall stable, with no major risk events occurring, and the level of risk control and management continued to improve.

(IV) Internal Control

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

(V) Use of Proceeds

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

(VI) Acquisition and Disposal of Assets

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

(VII) Related Party Transactions

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

(VIII) Implementation of Resolutions of the General Meeting

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

(IX) Information Disclosure

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

(X) Social Responsibilities

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

(XI) Other Special Supervision and Evaluation

In terms of capital management, the Board of Directors and senior management of the Bank have strengthened capital management, reinforced the capital management orientation, and enhanced the quality and efficiency of asset and liability management and capital market value. As of the end of 2023, the Bank's capital adequacy ratios at all levels were better than the regulatory standards and met the Bank's management objectives, and the Company's capital was commensurate with the development of its business and the level of risk. Next, the Bank will strictly implement the requirements of the new capital regulations, guide the growth and allocation of assets based on the concept of capital constraints, and continuously improve the efficiency of capital operation. At the same time, in light of the Group's development needs, the Bank will strengthen the retention of profits, enhance the ability to replenish capital from endogenous sources, enrich the channels of capital replenishment, and strengthen the level of risk resilience.

In terms of reputational risk management, the Board of Directors and senior management of the Bank have, based on regulatory requirements and relevant laws and regulations, strengthened the whole-process management and normalized management of reputational risk in such areas as the construction of reputational risk system, public opinion monitoring mechanism, prior assessment mechanism, disposal mechanism, and public relations, so as to create a favorable external environment for the Bank's operation, management and business development. However, the Bank still needs to further improve the Group's reputation risk linkage management mechanism, strengthen its emergency response to public opinion events, and improve the Group's reputation risk management and control level.

In terms of stress test management, the Board of Directors and senior management of the Bank actively cooperated to complete various regulatory stress test tasks on the basis of regular stress tests of risks in key areas, carried out risk stress tests at the Group level on a regular basis, continuously optimized and improved the stress test plan, and actively promoted the use of stress tests in capital management and risk management decision-making. However, the Bank still needs to strengthen the overall management of stress test, optimize the management process related to stress test, promote the construction of the stress test management platform, improve the operational risk and capital adequacy stress test mechanism in accordance with the requirements of the new regulatory rules, and enhance the standardization, comprehensiveness and effectiveness of the stress test.

In terms of liquidity risk management, the Board of Directors and senior management of the Bank are able to strictly implement prudent liquidity risk management principles, organize and carry out risk screening in a timely manner, and continuously improve the liquidity risk management policy and system, so that the level of liquidity risk management has been continuously improved. As of the end of December 2023, the Bank's liquidity risk indicators were better than the regulatory values, with sufficient short-term liquidity, a reasonable maturity mismatch structure, and a stable source of long-term maturity funding. However, the Bank still needs to strengthen liquidity risk early warning and prevention, focusing on the impact of interbank market fluctuations on liquidity, improve the liquidity risk management information system, strengthen the liquidity indicators monitoring and management empowerment for subsidiaries and management organizations, so as to continuously improve the Group's liquidity risk management and control capacity.

In terms of the management of expected credit loss method, the Board of Directors and senior management of the Bank are able to regulate the scope of assets subject to impairment under the expected credit loss method, the principles to be followed in its implementation, the division of responsibilities and the workflow, etc., and have formulated the annual implementation plan for impairment to complete the provision of impairment for financial assets in each year. As of the end of December 2023, sufficient provision has been made for the Bank's financial assets, with indicators such as the provision coverage ratio and the provision-to-credit ratio in line with the level of regulatory requirements. However, the Bank still needs to further strengthen the construction of a long-term mechanism for the management of expected credit losses, improve the relevant system and management structure, effectively strengthen the construction of the management information system, accelerate the implementation of the "Administrative Measures for the Implementation of the Expected Credit Loss Method of Commercial Banks", and improve the quality of implementation.

In terms of operational risk management, the Board of Directors and senior management of the Bank continued to improve the construction of the operational risk system, strengthened the application of the three core tools for operational risk management, carried out internal control supervision and inspection of key risk areas, and continued to promote the Group-wide operational risk management, effectively ensuring that the Group's operational risk was controllable as a whole. However, the Bank still needs to further improve the mechanism construction in accordance with the requirements of the new regulations on operational risk management, strengthen the risk prevention and control management of the "three lines of defense", enhance the management of abnormal behavior of employees and the implementation of the system, and intensify the supervision and inspection of the implementation of the system in key groups, key business areas and key links, so as to effectively improve the level of prevention and control of operational risks.

Chapter X
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. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND OTHER SIMILAR RIGHTS

The Bank had no convertible security, option, warrant or other similar right during the Reporting Period.

III. SHARE OPTION SCHEME AND EQUITY INCENTIVE PLAN

During the Reporting Period, the Bank does not have any share option scheme and equity incentive plan.

IV. MAJOR ASSET ACQUISITIONS, SALES AND BUSINESS MERGERS

During the Reporting Period, there were no major asset acquisitions, sales or business mergers.

V. MAJOR CAPITAL OPERATION

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

VI. FUTURE PLANS FOR MATERIAL INVESTMENTS AND PURCHASE OF CAPITAL ASSET

During the Reporting Period, the Bank had no material investment or plans for purchase of capital assets.

VII. 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 National Financial Regulatory Administration. 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 Annual Report, the Prospectus, as well as other announcements and circulars of the Bank.

VIII. SIGNIFICANT LITIGATION AND ARBITRATION

The Bank was involved in certain legal proceedings in the ordinary course of business, most of which were initiated to recover non-performing assets. In 2023, 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 RMB2,191.8743 million. The Bank has no outstanding cases (including litigations and arbitrations) as defendant or respondent with an additional target amount of more than or equal to RMB10 million. The Bank will continue to follow up on the disposal of the above cases, and the above litigation and arbitration will not have a material adverse impact on the financial or operating results of the Bank.

IX. 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.

X. PUNISHMENT OF THE BANK AND THE DIRECTORS AND 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 administrative sanctions, and criticism by the CSRC, or had been subject to any penalty by other regulatory bodies that caused a significant impact on the Bank's operation.

XI. SIGNIFICANT EVENTS OF SUBSIDIARIES

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

XII. SUBSEQUENT EVENTS

Subsequent to the Reporting Period, the Bank did not have any events or cases that had a significant impact on the Bank.

Chapter XI Financial Report

Independent auditor's report

Independent auditor's report to the shareholders of Dongguan Rural Commercial Bank Co., Ltd.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Dongguan Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries ("the Group") set out on pages 199 to 334, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code") issued by the International Ethics Standards Board for Accountants, together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Loss allowances of loans and advances to customers and financial investments measured at amortized cost

Refer to Note 17 and Note 18 to the consolidated financial statements and the accounting policies in Note 2(11).

The Key Audit Matter	How the matter was addressed in our audit
The determination of loss allowances for loans and advances to customers and financial investments measured at amortized cost using the expected credit loss model is subject to the application of a number of key parameters and assumptions. Extensive management judgement is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of the expected credit loss model is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The loss allowances for corporate loans and advances and financial investments measured at amortized cost are derived from estimates including the historical losses rate, external credit grading and other adjustment factors. The loss allowances for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. The enforceability, timing and means of realization of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period. We identified the loss allowances of loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	Our audit procedures to assess loss allowances of loans and advances to customers and financial investments measured at amortized cost included the following: • understanding key internal controls of financial reporting over the credit grading process and the measurement of loss allowances of loans and advances to customers and financial investments measured at amortized cost; • understanding the expected credit loss model used by management in determining loss allowances and involving our financial risk management specialists to assess the appropriateness of the expected credit loss model and the appropriateness of the key parameters and assumptions used in the expected credit loss model; • examining key data inputs to the expected credit loss models on a sample basis to assess their accuracy and completeness; and • challenging management's revisions to estimates and input parameters by comparing with prior period and considered the consistency of judgement. We compared the macro-economic factors used in the models with market information to assess whether they were aligned with market and economic development;

Loss allowances of loans and advances to customers and financial investments measured at amortized cost

Refer to Note 17 and Note 18 to the consolidated financial statements and the accounting policies in Note 2(11).

The Key Audit Matter	How the matter was addressed in our audit
	• evaluating the appropriateness of management's assessment on whether the credit risk of loans and advances to customers and financial investments measured at amortized cost has, or has not, increased significantly since initial recognition and whether the loan and advances to customers and financial investments measured at amortized cost are credit-impaired. We checked related assets overdue information, checked the credit risk status of the borrower and researched external information about borrowers on a sample basis; • for selected samples of loans and advances to customers and financial investments measured at amortized cost that are credit-impaired, recalculating the amount of credit loss allowance, so as to compare the measurement results with the results of the Group; and • evaluating whether the disclosures on loss allowances of loans and advances to customers and financial investments measured at amortised cost comply with the disclosure requirements of the prevailing accounting standards.

Consolidation of structured entities

Refer to Note 39 to the consolidated financial statements and the accounting policies in Note 3(2).

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership equity interest in a structured entity, through issuing non-principal-guaranteed wealth management products, or through investing in an asset management plan, a trust plan, or an asset-backed security and so on. In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. In certain circumstances, the Group may be required to consolidate a structured entity even though it has no equity interest therein. We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.	Our audit procedures to assess the consolidation of structured entities included the following: • understanding the key internal controls of financial reporting over consolidation of structured entities; • inspecting the terms of the relevant contracts to assess whether the Group should consolidate a structured entity on a sample basis. Assessing the Group's analysis and conclusions as to whether it controls the structured entities based on the Group's analysis on its power over structured entities and the variable returns from the Group's involvement in such structured entities; and • evaluating whether the disclosures in the consolidated financial statements in relation to structured entities comply with the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all 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 the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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 judgement 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 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 Li Ka Lam.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

(All amounts in RMB thousand, unless otherwise stated)

	Notes	Year ended 31 December 2023	2022
Interest income	4	**23,082,553**	22,780,191
Interest expense	4	**(12,510,244)**	(11,846,916)
Net interest income		**10,572,309**	10,933,275
Fee and commission income	5	**1,090,372**	1,021,518
Fee and commission expense	5	**(377,595)**	(335,540)
Net fee and commission income		**712,777**	685,978
Net trading gains	6	**1,081,308**	1,293,856
Net gains on financial instruments	7	**707,489**	75,349
Other operating income	8	**186,279**	247,499
Operating income		**13,260,162**	13,235,957
Operating expenses	9	**(4,820,138)**	(4,747,924)
Credit impairment losses	12	**(3,322,146)**	(2,238,823)
Operating profit		**5,117,878**	6,249,210
Share of profits of associates	20	**51,858**	34,852
Profit before tax		**5,169,736**	6,284,062
Income tax expense	13	**176,080**	(201,537)
Net profit for the year		**5,345,816**	6,082,525
Net profit attributable to:			
Shareholders of the Bank		**5,161,283**	5,931,681
Non-controlling interests		**184,533**	150,844

Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the year ended December 31, 2023

(All amounts in RMB thousand, unless otherwise stated)

	Note	Year ended 31 December	
		2023	2022
Other comprehensive income Items which may be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income		**517,531**	(236,822)
Credit impairment provision for financial assets at fair value through other comprehensive income		**(439,725)**	(19,855)
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income		**(19,451)**	64,169
Items will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated at fair value through other comprehensive income		**274,100**	2,898
Impact on income tax on changes in fair value of equity instruments designated at fair value through other comprehensive income		**(68,525)**	(725)
Other comprehensive income for the year, net of tax		**263,930**	(190,335)
Total comprehensive income for the year		**5,609,746**	5,892,190
Total comprehensive income attributable to:			
Shareholders of the Bank		**5,407,001**	5,746,760
Non-controlling interests		**202,745**	145,430
Total comprehensive income for the year		**5,609,746**	5,892,190
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	14	**0.75**	0.86

The notes on pages 206 to 334 form part of these financial statements.

Consolidated Statement of Financial Position

As at December 31, 2023

(All amounts in RMB thousand, unless otherwise stated)

	Notes	As at 31 December	
		2023	2022
ASSETS			
Cash and balances with the central bank	15	**36,935,315**	40,024,836
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	16	**17,566,453**	15,515,079
Derivative financial assets		**436,283**	340,047
Loans and advances to customers	17	**342,511,915**	321,748,124
Financial investments	18	**301,218,535**	269,777,909
— Financial investments at fair value through profit or loss		**52,836,715**	52,182,664
— Financial investments at amortised cost		**137,226,078**	124,352,911
— Financial investments at fair value through other comprehensive income		**111,155,742**	93,242,334
Investment in associates	20	**633,467**	480,421
Property and equipment	21	**2,307,417**	2,475,704
Right-of-use assets	22	**992,821**	934,118
Goodwill	23	**520,521**	520,521
Deferred tax assets	24	**4,710,374**	4,059,547
Other assets	25	**1,020,491**	1,813,666
Total assets		**708,853,592**	657,689,972
LIABILITIES			
Borrowings from the central bank	26	**38,479,208**	23,351,892
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	27	**39,403,137**	44,404,451
Financial liabilities at fair value through profit or loss	28	**1,325,544**	1,809,212
Derivative financial liabilities		**458,261**	349,317
Deposits from customers	29	**495,743,888**	465,688,801
Debt securities issued	30	**71,831,971**	64,053,467
Taxes payable	31	**304,574**	457,304
Lease liabilities	22	**514,609**	456,116
Other liabilities	32	**3,303,863**	3,299,483
Total liabilities		**651,365,055**	603,870,043

Consolidated Statement of Financial Position *(Continued)*

As at December 31, 2023

(All amounts in RMB thousand, unless otherwise stated)

	Notes	**As at 31 December**	
		2023	2022
EQUITY			
Share capital	33	**6,888,546**	6,888,546
Capital reserve	34	**6,342,779**	6,230,429
Revaluation reserve	35	**850,285**	604,567
Surplus reserve	36	**8,829,850**	8,323,435
General reserve	36	**7,422,108**	6,915,566
Retained earnings		**24,315,819**	22,165,171
Total equity attributable to shareholders of the Bank		**54,649,387**	51,127,714
Non-controlling interests		**2,839,150**	2,692,215
Total equity		**57,488,537**	53,819,929
Total liabilities and equity		**708,853,592**	657,689,972

Approved and authorized for issue by the Board of Directors on 26 March 2024.

Lu Guofeng Chairman	Fu Qiang President	Zhong Guobo Person-in-charge of Accounting	Zhong Xuemei Head of the Accounting Department

The notes on pages 206 to 334 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

(All amounts in RMB thousand, unless otherwise stated)

		Equity attributable to shareholders of the Bank							
	Notes	Share capital (Note 33)	Capital reserve (Note 34)	Revaluation reserve (Note 35)	Surplus reserve (Note 36)	General reserve (Note 36)	Retained earnings	Non-controlling interests	Total
As at 1 January 2023		**6,888,546**	**6,230,429**	**604,567**	**8,323,435**	**6,915,566**	**22,165,171**	**2,692,215**	**53,819,929**
Net profit for the year		**—**	**—**	**—**	**—**	**—**	**5,161,283**	**184,533**	**5,345,816**
Other comprehensive income		**—**	**—**	**245,718**	**—**	**—**	**—**	**18,212**	**263,930**
Total comprehensive income		**—**	**—**	**245,718**	**—**	**—**	**5,161,283**	**202,745**	**5,609,746**
Appropriation to surplus reserve		**—**	**—**	**—**	**506,415**	**—**	**(506,415)**	**—**	**—**
Appropriation to general reserve		**—**	**—**	**—**	**—**	**506,542**	**(506,542)**	**—**	**—**
Dividend distribution	37	**—**	**—**	**—**	**—**	**—**	**(1,997,678)**	**(55,810)**	**(2,053,488)**
Share of other reserves of investments accounted for using the equity method	34	**—**	**112,350**	**—**	**—**	**—**	**—**	**—**	**112,350**
As at 31 December 2023		**6,888,546**	**6,342,779**	**850,285**	**8,829,850**	**7,422,108**	**24,315,819**	**2,839,150**	**57,488,537**
As at 1 January 2022		6,888,546	6,230,429	789,488	7,737,394	6,329,025	19,403,750	2,603,481	49,982,113
Net profit for the year		—	—	—	—	—	5,931,681	150,844	6,082,525
Other comprehensive income		—	—	(184,921)	—	—	—	(5,414)	(190,335)
Total comprehensive income		—	—	(184,921)	—	—	5,931,681	145,430	5,892,190
Appropriation to surplus reserve		—	—	—	586,041	—	(586,041)	—	—
Appropriation to general reserve		—	—	—	—	586,541	(586,541)	—	—
Dividend distribution	37	—	—	—	—	—	(1,997,678)	(56,696)	(2,054,374)
As at 31 December 2022		6,888,546	6,230,429	604,567	8,323,435	6,915,566	22,165,171	2,692,215	53,819,929

The notes on pages 206 to 334 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

(All amounts in RMB thousand, unless otherwise stated)

	Notes	Year ended 31 December	
		2023	2022
Cash flows from operating activities:			
Profit before tax		**5,169,736**	6,284,062
Adjust for:			
Credit impairment losses	12	**3,322,146**	2,238,823
Interest income from financial investments	4	**(6,265,738)**	(5,797,084)
Interest expense on debt securities issued	4	**1,900,766**	1,625,905
Interest expense on lease liabilities	4	**18,608**	18,086
Net trading gains	6	**(1,070,765)**	(1,137,624)
Net gains on financial instruments	7	**(707,489)**	(75,349)
Net gains on disposal of property, equipment and other long-term assets	8	**(4,126)**	(8,188)
Depreciation and amortisation	9	**422,760**	423,121
Share of profits of associates	20	**(51,858)**	(34,852)
Unrealized foreign exchange gains		**(3,656)**	(301,668)
Others		**(18,715)**	(10,214)
		2,711,669	3,225,018
Net increase in operating assets:			
Net decrease in balances with the central bank		**267,111**	371,589
Net increase in financial assets held under resale agreements and deposits and placements with banks and other financial institutions		**(2,502,427)**	(2,286,111)
Net increase in loans and advances to customers		**(22,558,571)**	(33,809,141)
Net decrease/(increase) in other operating assets		**14,923**	(260,258)
		(24,778,964)	(35,983,921)
Net increase in operating liabilities:			
Net increase in borrowings from the central bank		**15,023,899**	11,874,774
Net (decrease)/increase in financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions		**(6,571,578)**	4,380,371
Net increase in deposits from customers		**27,909,516**	45,340,875
Net increase in other operating liabilities		**2,176,591**	1,353,283
		38,538,428	62,949,303
Cash generated from operating activities		**16,471,133**	30,190,400
Income tax paid		**(650,150)**	(962,884)
Net cash generated from operating activities		**15,820,983**	29,227,516

Consolidated Statement of Cash Flows *(Continued)*

For the year ended December 31, 2023

(All amounts in RMB thousand, unless otherwise stated)

	Notes	Year ended 31 December 2023	2022
Cash flows from investing activities:			
Cash received from investment income and disposal of financial investments		**272,214,406**	255,774,219
Net cash received from disposal of property, equipment and other long-term assets		**16,279**	134,191
Cash dividends received		**53,605**	55,737
Cash paid to acquire financial investments		**(294,874,145)**	(275,652,827)
Cash paid to acquire property, equipment and other long-term assets		**(205,682)**	(338,981)
Net cash used in investing activities		**(22,795,537)**	(20,027,661)
Cash flows from financing activities:			
Cash received from debt securities issued		**131,745,238**	84,825,865
Cash payments for debt securities issued		**(125,867,500)**	(90,255,905)
Cash payments for distribution of dividends		**(2,053,484)**	(2,055,299)
Cash payments for leases		**(142,064)**	(214,085)
Net cash generated from/(used in) financing activities		**3,682,190**	(7,699,424)
Effect of foreign exchange rate changes on cash and cash equivalents		**14,610**	117,081
Net (decrease)/increase in cash and cash equivalents		**(3,277,754)**	1,617,512
Cash and cash equivalents at the beginning of the year		**26,586,354**	24,968,842
Cash and cash equivalents at the end of the year	38	**23,308,600**	26,586,354

The notes on pages 206 to 334 form part of these 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 (In 2023, the regulator was renamed the National Administration of Financial Regulation, hereinafter referred to as the "NAFR"), 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 operates under financial services certificate NO. B1054H344190001 issued by the NAFR, 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 Street, Dongguan, Guangdong. On 29 September 2021, the Bank was listed on The Stock Exchange of Hong Kong Limited with the stock code of 09889.

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 the NAFR.

2 Summary of material accounting policies

(1) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2023 comprise the Bank and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

Except for certain financial instruments which are measured at fair value, the measurement basis used in the preparation of the financial statements is the historical basis.

2 Summary of material accounting policies *(Continued)*

(2) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

The financial statements are presented in RMB, rounded to the nearest thousand, which is the functional currency of the Group.

(3) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting year:

- IFRS 17: Insurance Contracts

  IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. Amendments to IFRS 17 were issued in June 2020 and December 2021 to address stakeholder concerns and implementation challenges. IFRS 17 sets out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

  The amendments clarify that an entity will be required to disclose its "material" accounting policy information as opposed to "significant" accounting policies and provide additional guidance on how to identify material accounting policy information. The amendments to IFRS Practice Statement 2 provide additional guidance and examples to explain and illustrate the application of the "four-step materiality process" to accounting policy information.

2 Summary of material accounting policies *(Continued)*

(3) Changes in accounting policies *(Continued)*

- Amendments to IAS 8: Definition of Accounting Estimates

  The amendments now define "accounting estimates" as "monetary amounts in financial statements that are subject to measurement uncertainty" and remove the definition of "a change in accounting estimate". The amendments also clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

  The amendments specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition. As a result, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

- Amendments to IAS 12: International Tax Reform-Pillar Two Model Rules

  The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from December 31, 2023. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at December 31, 2022 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group's financial statements.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior year have been prepared or presented in this financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

(4) 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 material accounting policies *(Continued)*

(5) 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 instruments issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss and other 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 represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

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.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

2 Summary of material accounting policies *(Continued)*

(6) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(11)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(7)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(21)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(7) 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 equal 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.

2 Summary of material accounting policies *(Continued)*

(7) Associates *(Continued)*

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.

(8) 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.

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 recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2 Summary of material accounting policies *(Continued)*

(9) 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 year, 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 recognized in 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 year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

(10) 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 the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(11).

(11) Financial instruments

(i) Recognition and initial measurement of financial assets and financial liabilities

Financial assets or financial liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributed transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

2 Summary of material accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(ii) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortized cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

— It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

2 Summary of material accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(ii) ***Classification and subsequent measurement of financial assets*** *(Continued)*

(a) Classification of financial assets (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the financial assets. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

— Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship.

— Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize impairment gains or losses.

— Financial assets measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

2 Summary of material accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(ii) ***Classification and subsequent measurement of financial assets*** *(Continued)*

(b) Subsequent measurement of financial assets (Continued)

— Equity investments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortized cost.

— *Financial liabilities at FVTPL*

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

— *Financial liabilities at amortized cost*

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

(iv) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

— The Group currently has a legally enforceable right to set off the recognized amounts;

— The Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

2 Summary of material accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(v) Derecognition of financial assets and financial liabilities

Financial asset is derecognized when one of the following conditions is met:

— The Group's contractual rights to the cash flows from the financial asset expire;

— The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;

— The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

— The carrying amount of the financial asset transferred measured at the date of derecognition;

— The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment measured at FVOCI, any cumulative gain or loss that has been recognized directly in other comprehensive income for the part derecognized.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(vi) Impairment

The Group recognizes loss allowances for expected credit loss (ECL) on:

— Financial assets measured at amortized cost

— Loans and advances to customers and debt investments measured at FVOCI

— Credit commitments

Other financial assets measured at fair value, including debt or equity securities at FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

2 Summary of material accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(vi) ***Impairment*** *(Continued)*

Measurement of ECLs

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 ("POCI") 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:

— An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

— The time value of money;

— 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 43.1.

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 Summary of material accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(vi) ***Impairment*** *(Continued)*

Presentation of allowances for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vii) 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;

— 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.

2 Summary of material accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(vii) ***Modification of loans*** *(Continued)*

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).

(viii) Derivative financial instruments

Derivative financial instruments are initially recognized 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 material accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(ix) 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 guaranteed 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.

(12) Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

2 Summary of material accounting policies *(Continued)*

(13) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resale are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortized cost. Financial assets held under resale agreements are assessed for ECL in accordance with the policy set out in Note 2(11).

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(14) Precious metals

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 recognized at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise.

(15) Property and equipment and construction in progress

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.

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.

2 Summary of material accounting policies *(Continued)*

(15) Property and equipment and construction in progress *(Continued)*

(a) Cost *(Continued)*

The subsequent costs including the cost of replacing part of an item of property and equipment are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as 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 (amortization 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	3–10 years	10.00%–33.33%

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(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 recognized in 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 Summary of material accounting policies *(Continued)*

(16) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation, or both.

Investment properties are initially measured at cost, including costs that are directly attributable to the properties at the time of acquisition. The Group adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives and depreciation rate (amortization rate) are as follows:

Category of assets	Estimated useful lives	Depreciation rates
Buildings	20 years	5.00%
Land use rights	20/50 years	5.00%/2.00%

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 recognized at the higher of the fair value less cost of sales and value in use.

(17) Intangible assets

Intangible assets are initially recognized at cost. The cost less estimated net residual values (if any) of the intangible assets is amortized on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortized 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 33.33%. The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

Intangible assets with indefinite useful lives are not amortized but are subject to annual impairment assessment.

(18) Land use rights

The Group recognizes land use rights as right-of-use assets. Land use rights are initially measured at cost and amortized on a straight-line basis over their statutory useful lives. The cost of land use rights is amortized on a straight-line basis over the granted using period and is recognized 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 material accounting policies *(Continued)*

(19) Foreclosed assets

Foreclosed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. Foreclosed assets are initially recognized 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 recognized in profit or loss.

Any gain or loss arising on the disposal of the foreclosed asset is included in 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.

(20) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 Summary of material accounting policies *(Continued)*

(20) Leases *(Continued)*

(i) ***As a lessee*** *(Continued)*

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(21)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) ***As a lessor***

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(26).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(20)(i), then the Group classifies the sub-lease as an operating lease.

2 Summary of material accounting policies *(Continued)*

(21) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

— Property and equipment;

— Construction in progress;

— Investment properties measured at cost;

— Foreclosed assets of non-financial assets;

— Right-of-use assets;

— Intangible assets and Land use rights;

— Long-term deferred expenses; and

— Investments in subsidiaries and associates.

If there is any indication that those assets have suffered an impairment loss, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group or set of asset groups to which the assets belong.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal to their present value using an appropriate pre-tax discount rate, taking into account the expected future cash, useful life and discount rate.

2 Summary of material accounting policies *(Continued)*

(21) Impairment of non-financial assets *(Continued)*

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 profit or loss and a provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

(22) Employee benefits

(i) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. If the liability is not expected to be fully paid within 12 months after the end of the annual reporting period in which the employee provides the services, and the financial impact is significant, the liability is measured at the discounted amount.

(ii) 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.

The employees of the Group participate in an annuity scheme established by the Group (the "Annuity Scheme"). The Group pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated statement of profit or loss when incurred. The Group 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 Summary of material accounting policies *(Continued)*

(22) Employee benefits *(Continued)*

(iii) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

— When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

— When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(23) Income tax

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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 recognized for temporary difference related to goodwill or related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development 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 recognized 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 recognized 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.

2 Summary of material accounting policies *(Continued)*

(23) Income tax *(Continued)*

Current and deferred income tax *(Continued)*

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.

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 recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized 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.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

(24) Provisions and contingent liabilities

(i) Provisions

Provisions are recognized 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 Summary of material accounting policies *(Continued)*

(24) Provisions and contingent liabilities *(Continued)*

(ii) 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 recognized 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 recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable.

(25) 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 recognized 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 recognized as assets and liabilities of the Group.

(26) Income recognition

Income is recognized when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group's principal activities.

(i) Interest income

Interest income for financial assets is recognized in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

2 Summary of material accounting policies *(Continued)*

(26) Income recognition *(Continued)*

(i) ***Interest income*** *(Continued)*

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognized by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognized when its performance obligation in contracts is satisfied.

The Group recognizes income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

— The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— The customer controls the service provided by the Group in the course of performance;

— The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date; or

— In other cases, the Group recognizes revenue at a point in time at which a customer obtains control of the promised services.

2 Summary of material accounting policies *(Continued)*

(26) Income recognition *(Continued)*

(iii) Government grants

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(iv) Dividend income

Dividend is recognised in profit or loss only when the Group's right to receive payment of the dividends is established.

(v) Other income

Other income is recognized on an accrual basis.

(27) Expense recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(28) Dividend distribution

Dividend distribution to the Bank's equity holders is recognized 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 Summary of material accounting policies *(Continued)*

(29) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(c) Both entities are joint ventures of the same third party;

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) The entity is controlled or jointly controlled by a person identified in (i);

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Summary of material accounting policies *(Continued)*

(30) Segment reporting

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.

Inter-segment revenues are measured based on actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

3 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 relevant factors including reasonable expectations for future events, 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 recognized 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 amortized 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 43.1 Credit risk.

3 Accounting estimates and judgement *(Continued)*

(1) Measurement of expected credit loss *(Continued)*

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 43.1.

(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.

3 Accounting estimates and judgement *(Continued)*

(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.

(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

	Year ended 31 December	
	2023	2022
Interest income		
Balances with the central bank	**438,891**	441,450
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	**507,978**	462,639
Loans and advances to customers	**15,869,946**	16,079,018
Financial investments	**6,265,738**	5,797,084
Sub-total	**23,082,553**	22,780,191
Interest expense		
Borrowings from the central bank	**(693,920)**	(483,765)
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	**(884,993)**	(1,092,150)
Deposits from customers	**(9,011,957)**	(8,627,010)
Debt securities issued	**(1,900,766)**	(1,625,905)
Lease liabilities	**(18,608)**	(18,086)
Sub-total	**(12,510,244)**	(11,846,916)
Net interest income	**10,572,309**	10,933,275

5 Net fee and commission income

	Year ended 31 December	
	2023	2022
Fee and commission income		
Custodian and other fiduciary	**341,938**	307,922
Wealth management agency services	**361,923**	298,181
Bank cards	**216,764**	246,638
Settlement and clearing services	**72,067**	87,368
Others	**97,680**	81,409
Sub-total	**1,090,372**	1,021,518
Fee and commission expense		
Settlement and clearing services	**(158,805)**	(126,566)
Platform cooperation	**(56,237)**	(93,392)
Transaction services	**(116,251)**	(83,353)
Others	**(46,302)**	(32,229)
Sub-total	**(377,595)**	(335,540)
Net fee and commission income	**712,777**	685,978

6 Net trading gains

	Year ended 31 December	
	2023	2022
Net gains on financial assets held for trading	**1,068,388**	1,137,624
Exchange gains	**10,543**	155,729
Net gains on precious metal	**2,377**	503
Total	**1,081,308**	1,293,856

7 Net gains on financial instruments

		Year ended 31 December	
	Note	**2023**	2022
Net gains on financial assets at fair value through other comprehensive income		**496,394**	537,525
Net gains on financial instruments at fair value through profit or loss		**376,440**	331,876
Dividend income from equity instruments		**42,443**	45,914
Net gains on derecognition of financial investments measured at amortised cost		**28,751**	221,237
Others	28(a)	**(236,539)**	(1,061,203)
Total		**707,489**	75,349

8 Other operating income

	Note	Year ended 31 December 2023	2022
Government grants	(a)	**143,970**	186,345
Rental income		**30,862**	30,066
Gains on disposal of property, equipment and other long-term assets		**4,126**	8,188
Others		**7,321**	22,900
Total		**186,279**	247,499

(a) Government grants mainly comprise incentives for deferred repayment of principal and interest and job stabilization subsidies from Ministry of Finance ("MOF") and Municipal Governments.

9 Operating expenses

	Note	Year ended 31 December 2023	2022
Staff costs	10	**3,023,311**	3,181,835
General and administrative expenses		**1,225,788**	986,028
Depreciation and amortisation		**422,760**	423,121
Taxes and surcharges		**139,701**	144,903
Auditors' remuneration		**8,578**	12,037
— Audit service		**6,331**	6,326
— Non-audit service		**2,247**	5,711
Total		**4,820,138**	4,747,924

10 Staff costs

	Year ended 31 December 2023	2022
Salaries, bonuses, allowances and subsidies	**2,247,985**	2,282,618
Social benefits and others	**558,822**	659,398
Enterprise annuity scheme	**168,180**	191,197
Labour union funds and employee education funds	**48,324**	48,622
Total	**3,023,311**	3,181,835

11 Emoluments of directors, supervisors and the highest-paid staff

(a) Emoluments of directors and supervisors are as follows:

		Year ended 31 December 2023					
Name	*Notes*	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	Total (Before Tax)
Chairman							
Lu Guofeng	(1)	—	920	590	68	72	1,650
Executive directors							
Fu Qiang		—	1,380	885	101	108	2,474
Ye Jianguang		—	1,132	726	101	108	2,067
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
Tang Wencheng		230	—	—	—	—	230
Independent non-executive directors							
Zeng Jianhua		230	—	—	—	—	230
Yip Tai Him		230	—	—	—	—	230
Xu Zhi		230	—	—	—	—	230
Tan Fulong		230	—	—	—	—	230
Liu Yuou		230	—	—	—	—	230
Xu Tingting		230	—	—	—	—	230
Supervisors							
Chen Sheng		—	1,132	726	101	108	2,067
Deng Yanwen		—	443	760	89	108	1,400
Wu Lixin		—	586	668	83	108	1,445
Liang Zhifeng		—	584	925	82	108	1,699
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
Directors who resigned							
Wang Yaoqiu	(2)	—	460	329	33	36	858
Total		5,060	6,637	5,609	658	756	18,720

(1) The Board of Director recommended the appointment of Mr. Lu Guofeng as an executive director on 28 April 2023 and the appointment as the chairman on 25 May 2023. The appointment of Mr. Lu Guofeng as an executive director has been approved by Dongguan Office of The National Administration of Financial Regulation on 20 November 2023 and the appointment as the chairman has been approved by Guangdong Office of The National Administration of Financial Regulation on 27 December 2023.

(2) Mr. Wang Yaoqiu resigned as the chairman of the Bank on 28 April 2023.

(3) The total amount of pre-tax emoluments of the Group's directors and supervisors who are fully remunerated is still in the process of being confirmed and the remainder will be disclosed upon confirmation of payment.

11 Emoluments of directors, supervisors and the highest-paid staff *(Continued)*

(a) Emoluments of directors and supervisors are as follows: *(Continued)*

		Year ended 31 December 2022					
Name	*Notes*	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	Total (Before Tax)
Chairman							
Wang Yaoqiu		—	1,380	1,264	96	112	2,852
Executive directors							
Fu Qiang		—	1,380	1,264	96	112	2,852
Ye Jianguang		—	1,132	1,038	96	112	2,378
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
Tang Wencheng	(1)	77	—	—	—	—	77
Independent non-executive directors							
Zeng Jianhua	(1)	77	—	—	—	—	77
Yip Tai Him		230	—	—	—	—	230
Xu Zhi		230	—	—	—	—	230
Tan Fulong		230	—	—	—	—	230
Liu Yuou		230	—	—	—	—	230
Xu Tingting		230	—	—	—	—	230
Supervisors							
Chen Sheng		—	1,132	1,038	96	112	2,378
Deng Yanwen		—	472	952	88	112	1,624
Wu Lixin		—	586	788	81	111	1,566
Liang Zhifeng		—	584	1,320	80	112	2,096
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
Directors who resigned							
Chen Wei	(2)	—	761	—	71	76	908
Shi Wenfeng	(3)	153	—	—	—	—	153
Total		4,907	7,427	7,664	704	859	21,561

(1) The Board of Director proposed to appoint Mr. Tang Wencheng as a non-executive director and Mr. Zeng Jianhua as an independent non-executive director on 30 March 2022. The appointments of Mr. Tang Wencheng and Mr. Zeng Jianhua as directors have been approved by Dongguan Office of The former China Banking and Insurance Regulatory Commission on 6 September 2022.

(2) Mr. Chen Wei was removed as an executive director of the Bank on 19 December 2022.

(3) Mr. Shi Wenfeng resigned as an independent non-executive director of the Bank on 6 September 2022.

11 Emoluments of directors, supervisors and the highest-paid staff *(Continued)*

(b) Five highest paid individuals:

The five highest paid individuals comprises directors, supervisor and non-director and non-supervisor as below:

	Note	Year ended 31 December	
		2023	2022
Directors		**2**	3
Supervisor		**1**	1
Non-director and non-supervisor	(2)	**2**	2
Total		**5**	6

(1) During the year ended 31 December 2023, the five highest paid individuals included five persons in total.

During the year ended 31 December 2022, the five highest paid individuals included six persons in total, two of them were with the same emoluments and being the highest paid individuals, and other four of them were with the same emoluments and being the third highest paid individuals.

(2) The emoluments payable to the remaining individuals during the years ended 31 December 2023 and 2022 are as follows:

	Year ended 31 December	
	2023	2022
Salaries, subsidies and other benefits	**2,466**	2,456
Discretionary bonuses	**1,452**	2,076
Pension plan contributions	**216**	224
Total	**4,134**	4,756

The emoluments of the remaining individuals during the years ended 31 December 2023 and 2022 fell within the following band:

	Year ended 31 December	
	2023	2022
RMB2,000,000 to RMB2,500,000	**2**	2

11 Emoluments of directors, supervisors and the highest-paid staff *(Continued)*

(c) Other benefits and interests of directors and supervisors

For the years ended 31 December 2023 and 2022, 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 (22) 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.

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 41. 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 Credit impairment losses

	Year ended 31 December	
	2023	2022
Loans and advances to customers		
— Measured at amortised cost	**3,455,879**	1,964,019
— Measured at fair value through other comprehensive income	**(3,011)**	6,000
Financial investments		
— Measured at amortised cost	**(78,477)**	209,542
— Measured at fair value through other comprehensive income	**(32,956)**	(25,855)
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	**(1,776)**	(19,429)
Loan commitments and guarantee contracts	**(7,850)**	58,485
Other assets	**(9,663)**	46,061
Total	**3,322,146**	2,238,823

13 Income tax expense

	Note	Year ended 31 December 2023	2022
Current income tax		**474,702**	875,252
Deferred income tax	24	**(738,803)**	(664,982)
Tax filing differences		**88,021**	(8,733)
Total		**(176,080)**	201,537

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:

	Notes	Year ended 31 December 2023	2022
Profit before tax		**5,169,736**	6,284,062
Income tax calculated at statutory tax rate of 25%		**1,292,434**	1,571,016
Tax effect of income non-taxable for tax purpose	(a)	**(1,492,884)**	(1,339,105)
Share of profits of associates		**(12,965)**	(8,713)
Non-deductible expenses		**83,232**	63,923
Recognition of previously unrecognised deductible temporary differences		**(91,189)**	(23,472)
Tax effect of unused tax losses not recognised		**(42,701)**	(52,738)
Current-year losses for which no deferred tax asset is recognised		**272**	—
Effect of preferential tax rate applicable to a subsidiary	(b)	**(300)**	(641)
Adjustments for current tax of prior periods		**88,021**	(8,733)
Income tax expense		**(176,080)**	201,537

(a) The non-taxable income of the Group principally includes interest income from PRC treasury bonds, municipal government bonds and dividend income.

(b) According to Announcement on the Continuation of the Enterprise Income Tax Policy for the Western Development (Cai Shui Fa [2020] No. 23), Hezhou Babu Dongying County Bank Company Limited, the Group's subsidiary, is entitled to a preferential income tax rate of 15% from 1 January 2021 to 31 December 2030.

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.

	Year ended 31 December	
	2023	2022
Net profit attributable to the shareholders of the Bank (RMB'000)	**5,161,283**	5,931,681
Weighted average number of ordinary shares (thousand shares)	**6,888,546**	6,888,546
Basic earnings per share (RMB)	**0.75**	0.86

(b) Diluted earnings per share

For the years ended 31 December 2023 and 2022, 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 the central bank

		As at 31 December	
	Notes	**2023**	2022
Cash		**2,478,099**	4,336,151
Mandatory reserve deposits with the central bank	(a)	**25,409,414**	25,782,716
Surplus reserve deposits	(b)	**8,811,540**	9,777,726
Other deposits with the central bank	(c)	**223,057**	114,955
Sub-total		**36,922,110**	40,011,548
Accrued interest		**13,205**	13,288
Total		**36,935,315**	40,024,836

15 Cash and balances with the central bank *(Continued)*

(a) Mandatory reserve deposits with the central bank 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 2023 and 2022 were as follows, respectively:

	As at 31 December	
	2023	2022
Mandatory reserve rate for deposits denominated in RMB	**5.25%**	5.75%
Mandatory reserve rate for deposits denominated in foreign currencies	**4.00%**	6.00%

The aforementioned mandatory reserve deposits with the central bank 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.

(b) Surplus reserve deposits with the central bank are mainly for the purpose of clearing and settlement.

(c) Other deposits with the central bank primarily represent fiscal deposits that are not available for use in the Group's daily operations.

16 Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

		As at 31 December	
	Note	**2023**	2022
Deposits with domestic banks and other financial institutions		**4,169,735**	5,759,262
Deposits with oversea banks and other financial institutions		**1,235,082**	658,713
Placements with domestic banks and other financial institutions		**10,850,000**	6,738,230
Bonds held under resale agreements	(a)	**1,340,450**	2,390,500
Sub-total		**17,595,267**	15,546,705
Accrued interest		**19,859**	18,819
Provision for impairment losses		**(48,673)**	(50,445)
Total		**17,566,453**	15,515,079

(a) For the years ended 31 December 2023 and 2022, the Group did not use financial assets held under resale agreements as pledged or mortgaged assets for repurchase agreements with other financial institutions.

17 Loans and advances to customers

(a) Loans and advances to customers are summarised as follows:

	As at 31 December	
	2023	2022
Loans and advances to customers measured at amortised cost		
Corporate loans and advances		
— Corporate loans	**196,487,854**	185,397,315
— Discounted bills	**5,877,083**	3,772,333
Subtotal	**202,364,937**	189,169,648
Personal loans and advances		
— Business loans	**44,272,043**	38,675,434
— Property mortgages	**38,863,183**	38,939,465
— Personal consumption loans	**35,337,953**	30,053,733
— Credit cards	**4,921,478**	6,760,399
Subtotal	**123,394,657**	114,429,031
Accrued interest	**730,437**	670,422
Total loans and advances to customers measured at amortised cost	**326,490,031**	304,269,101
Impairment provision for loans and advances measured at amortised cost	**(13,291,864)**	(10,919,999)
Net book value of loans and advances to customers at amortised cost	**313,198,167**	293,349,102
Loans and advances to customers at fair value through other comprehensive income		
Corporate loans and advances		
— Inter-bank discounted bills	**21,951,825**	24,988,370
— Forfaiting	**7,361,923**	3,410,652
Net loans and advances to customers	**342,511,915**	321,748,124

As at 31 December 2023 and 2022, the expected credit loss rates for loans and advances to customers at amortized cost of the Group were 4.07% and 3.59% respectively.

17 Loans and advances to customers *(Continued)*

(b) Changes in provision for impairment losses of loans and advances to customers by assessment type:

The Group

Loans and advances to customers measured at amortised cost	*Notes*	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023		**4,034,119**	**1,222,647**	**5,663,233**	**10,919,999**
Net transfers in:					
— Stage 1		**(78,023)**	**—**	**—**	**(78,023)**
— Stage 2		**—**	**310,600**	**—**	**310,600**
— Stage 3		**—**	**—**	**(232,577)**	**(232,577)**
Originated or purchased		**1,737,459**	**—**	**—**	**1,737,459**
Remeasurement	(i)	**609,515**	**1,913,604**	**2,152,550**	**4,675,669**
Repayment or transfer out		**(1,501,359)**	**(312,277)**	**(688,486)**	**(2,502,122)**
Write-off	(ii)	**—**	**—**	**(1,539,141)**	**(1,539,141)**
As at 31 December 2023		**4,801,711**	**3,134,574**	**5,355,579**	**13,291,864**
As at 1 January 2022		2,544,128	2,665,306	3,819,461	9,028,895
Net transfers in:					
— Stage 1		(2,422)	—	—	(2,422)
— Stage 2		—	(1,537,587)	—	(1,537,587)
— Stage 3		—	—	1,540,009	1,540,009
Originated or purchased		1,669,690	—	—	1,669,690
Remeasurement	(i)	892,869	1,067,045	2,404,605	4,364,519
Repayment or transfer out		(1,070,146)	(972,117)	(1,480,347)	(3,522,610)
Write-off	(ii)	—	—	(620,495)	(620,495)
As at 31 December 2022		4,034,119	1,222,647	5,663,233	10,919,999

For the years ended 31 December 2023 and 2022, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

(i) Remeasurement are caused by parameter changes or transfers between stages.

(ii) The contractual amount outstanding on loans and advances to customers that were written off during the year ended 31 December 2023 and that are still subject to enforcement activity is RMB1,539 million (2022: RMB620 million).

17 Loans and advances to customers *(Continued)*

(c) Loans and advances to customers by assessment type:

As at 31 December 2023	**Carrying amounts**			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Total loans and advances to customers measured at amortised cost	**310,071,484**	**9,722,119**	**6,696,428**	**326,490,031**
Provision for impairment losses	**(4,801,711)**	**(3,134,574)**	**(5,355,579)**	**(13,291,864)**
Net loans and advances to customers measured at amortised cost	**305,269,773**	**6,587,545**	**1,340,849**	**313,198,167**
Total loans and advances to customers at fair value through other comprehensive income	**29,313,748**	**—**	**—**	**29,313,748**
Net loans and advances to customers	**334,583,521**	**6,587,545**	**1,340,849**	**342,511,915**

As at 31 December 2022	Carrying amounts			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Total loans and advances to customers measured at amortised cost	293,271,521	3,485,316	7,512,264	304,269,101
Provision for impairment losses	(4,034,119)	(1,222,647)	(5,663,233)	(10,919,999)
Net loans and advances to customers measured at amortised cost	289,237,402	2,262,669	1,849,031	293,349,102
Total loans and advances to customers at fair value through other comprehensive income	28,399,022	—	—	28,399,022
Net loans and advances to customers	317,636,424	2,262,669	1,849,031	321,748,124

18 Financial investments

	Notes	As at 31 December 2023	As at 31 December 2022
Financial investments at fair value through profit or loss	(a)	**52,836,715**	52,182,664
Financial investments at amortised cost	(b)	**137,226,078**	124,352,911
Financial investments at fair value through other comprehensive income	(c)	**111,155,742**	93,242,334
Total		**301,218,535**	269,777,909

(a) Financial investments at fair value through profit or loss

	Notes	As at 31 December 2023	As at 31 December 2022
Debt securities listed in Mainland China	(i)		
— Government bonds		**16,759,787**	14,484,140
— Financial institution bonds		**6,565,463**	7,147,457
— Corporate bonds		**152,766**	569,449
— Interbank certificates of deposits		**1,189,287**	4,286,825
Sub-total		**24,667,303**	26,487,871
Fund Investments		**26,429,513**	22,278,539
Trust beneficiary rights	(ii)	**1,739,899**	3,416,254
Sub-total		**28,169,412**	25,694,793
Total		**52,836,715**	52,182,664

(i) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed in Mainland China".

(ii) For the years ended 31 December 2023 and 2022, trust beneficiary rights are invested in loan, foreclosed assets.

18 Financial investments *(Continued)*

(b) Financial investments at amortised cost

	As at 31 December	
	2023	2022
Debt securities listed in Mainland China		
— Government bonds	**105,632,540**	89,289,318
— Financial institution bonds	**29,753,844**	32,039,068
— Corporate bonds	**116,624**	1,125,375
— Interbank certificates of deposits	**99,334**	345,344
Sub-total	**135,602,342**	122,799,105
Certificate treasury bonds	**269,012**	241,840
Accrued interest	**1,732,208**	1,767,907
Provision for impairment losses	**(377,484)**	(455,941)
Total	**137,226,078**	124,352,911

(i) Analyzed by movements in loss allowance:

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023		450,707	5,234	—	455,941
Net transfers in:					
— Stage 1		—	—	—	—
— Stage 2		—	—	—	—
— Stage 3		—	—	—	—
Originated or purchased		131,111	—	—	131,111
Remeasurement	(1)	(101,598)	23	—	(101,575)
Repayment or transfer out		(105,377)	(2,616)	—	(107,993)
As at 31 December 2023		374,843	2,641	—	377,484

18 Financial investments *(Continued)*

(b) Financial investments at amortised cost *(Continued)*

(i) ***Analyzed by movements in loss allowance:*** *(Continued)*

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		231,000	179,917	—	410,917
Net transfers in:					
— Stage 1		—	—	—	—
— Stage 2		—	—	—	—
— Stage 3		—	—	—	—
Originated or purchased		177,896	—	—	177,896
Remeasurement	(1)	125,375	(207)	—	125,168
Repayment or transfer out		(83,564)	(174,476)	—	(258,040)
As at 31 December 2022		450,707	5,234	—	455,941

(1) Remeasurement are caused by parameter changes or transfers between stages.

(c) Financial investments at fair value through other comprehensive income

	As at 31 December	
	2023	2022
Debt securities listed in Mainland China		
— Government bonds	**91,558,855**	62,308,628
— Financial institution bonds	**14,956,383**	25,161,016
— Corporate bonds	**1,191,569**	2,601,205
— Interbank certificates of deposit	**794,913**	1,029,710
Sub-total	**108,501,720**	91,100,559
Trust beneficiary rights	**29,236**	30,777
Equity instruments designated at fair value through other comprehensive income		
— Listed equity investments	**84,433**	46,634
— Unlisted equity investments	**954,772**	648,603
Sub-total	**1,039,205**	695,237
Accrued interest	**1,585,581**	1,415,761
Total	**111,155,742**	93,242,334

18 Financial investments *(Continued)*

(c) Financial investments at fair value through other comprehensive income *(Continued)*

(i) Analyzed by movements in loss allowance:

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023		**225,116**	**36,620**	**1,749,963**	**2,011,699**
Net transfers in:					
— Stage 1		**(235)**	**—**	**—**	**(235)**
— Stage 2		**—**	**235**	**—**	**235**
— Stage 3		**—**	**—**	**—**	**—**
Originated or purchased		**88,295**	**—**	**—**	**88,295**
Remeasurement	(1)	**(23,921)**	**5,080**	**15,806**	**(3,035)**
Repayment or transfer out		**(128,142)**	**(36,621)**	**(101,996)**	**(266,759)**
Write-off		**—**	**—**	**(255,217)**	**(255,217)**
As at 31 December 2023		**161,113**	**5,314**	**1,408,556**	**1,574,983**

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		116,573	85,870	2,296,561	2,499,004
Net transfers in:					
— Stage 1		4,710	—	—	4,710
— Stage 2		—	(4,710)	—	(4,710)
— Stage 3		—	—	—	—
Originated or purchased		116,077	—	—	116,077
Remeasurement	(1)	38,294	19,731	(49,087)	8,938
Repayment or transfer out		(50,538)	(64,271)	(150,875)	(265,684)
Write-off		—	—	(346,636)	(346,636)
As at 31 December 2022		225,116	36,620	1,749,963	2,011,699

(1) Remeasurement are caused by parameter changes or transfers between stages.

19 Subsidiaries

	As at 31 December	
	2023	2022
Investment cost	**3,735,487**	3,735,487

Subsidiaries invested by the Bank are set out below:

Name of entity	*Notes*	Date and place of incorporation/establishment	Authorized/ paid-in capital	Percentage of equity interest 31 December 2023	Percentage of equity interest 31 December 2022	Percentage of voting rights 31 December 2023	Percentage of voting rights 31 December 2022	Principal activities
Huizhou Zhongkai Dongying County Bank Company Limited		13 December 2010 Huizhou, Guangdong	RMB300,000,000	**51.00%**	51.00%	**51.00%**	51.00%	Banking
Yunfu Xinxing Dongying County Bank Company Limited		23 December 2011 Yunfu, Guangdong	RMB100,000,000	**51.00%**	51.00%	**51.00%**	51.00%	Banking
Hezhou Babu Dongying County Bank Company Limited		8 August 2012 Hezhou, Guangxi	RMB100,000,000	**51.00%**	51.00%	**51.00%**	51.00%	Banking
Dongguan Dalang Dongying County Bank Company Limited	(a)	25 June 2012 Dongguan, Guangdong	RMB100,000,000	**35.00%**	35.00%	**51.00%**	51.00%	Banking
Zhanjiang Rural Commercial Bank Co., Ltd.	(b)	26 October 2019 Zhanjiang, Guangdong	RMB1,655,000,000	**49.41%**	49.41%	**49.41%**	49.41%	Banking
Guangdong Chaoyang Rural Commercial Bank Co., Ltd.		27 December 2020 Shantou, Guangdong	RMB1,202,000,000	**67.03%**	67.03%	**67.03%**	67.03%	Banking

(a) Dongguan Dalang Dongying County Bank Company Limited ("Dalang Dongying") is a joint venture formed by the Bank and other 12 legal person shareholders, and the Bank holds 35.00% of its equity interests. The shareholders holding 16.00% of equity interest in Dalang Dongying agreed to vote in the direction of the Bank. Accordingly, the Bank effectively controls over Dalang Dongying through 51.00% of the voting rights.

(b) The business combination of Zhanjiang Rural Commercial Bank Co., Ltd. ("Zhanjiang RCB") was completed on 26 October 2019. Upon the acquisition, the Bank holds 49.41% shares and the remaining shareholdings are widely dispersed. Therefore, the Bank controls Zhanjiang RCB.

20 Investment in associates

	Note	Year ended 31 December 2023	2022
Opening balance		**480,421**	455,392
Share of changes of other reserves	34	**112,350**	—
Share of net profits		**51,858**	34,852
Dividends received		**(11,162)**	(9,823)
Ending balance		**633,467**	480,421

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 summarized below:

Investee	*Notes*	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 2023								
Ya'an Rural Commercial Bank Co., Ltd.	(a)	Ya'an, Sichuan	**73,257,631**	**5,874,288**	**2,850,847**	**489,800**	**7.62%**	**37,322**
Guangdong Lechang Rural Commercial Bank Co., Ltd.	(b)	Lechang, Guangdong	**11,355,891**	**1,020,946**	**261,442**	**76,885**	**8.00%**	**6,151**
Guangdong Xuwen Rural Commercial Bank Co., Ltd.	(c)	Xuwen, Guangdong	**11,847,116**	**967,468**	**389,492**	**105,600**	**7.94%**	**8,385**
As at 31 December 2022								
Ya'an Rural Commercial Bank Co., Ltd.	(a)	Ya'an, Sichuan	28,598,602	2,136,291	1,162,011	146,255	15.00%	21,938
Guangdong Lechang Rural Commercial Bank Co., Ltd.	(b)	Lechang, Guangdong	10,724,521	930,220	243,616	69,666	8.00%	5,573
Guangdong Xuwen Rural Commercial Bank Co., Ltd.	(c)	Xuwen, Guangdong	11,451,170	861,184	353,778	92,450	7.94%	7,341

(a) One of the nine members of the board of directors of Ya'an Rural Commercial Bank Co., Ltd. ("Ya'an RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Ya'an RCB and accounts for Ya'an RCB as an associate.

As per the approval by Sichuan Office of the National Administration of Financial Regulation, six local financial institutions were merged by Ya'an RCB in December 2023, including Sichuan Hanyuan Rural Commercial Bank Co., Ltd., Sichuan Shimian Rural Commercial Bank Co., Ltd., Sichuan Tianquan Rural Commercial Bank Co., Ltd., Sichuan Lushan Rural Commercial Bank Co., Ltd., Yingjing County Rural Credit Cooperative Union, and Baoxing County Rural Credit Cooperative Union. Ya'an RCB inherited the creditor's rights and debts of the above six institutions. After the above merger, the proportion of equity held by the Group in Ya'an RCB decreased from 15.00% to 7.62%.

(b) One of the nine members of the board of directors of Guangdong Lechang Rural Commercial Bank Co., Ltd. ("Lechang RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Lechang RCB and accounts for Lechang RCB as an associate.

20 Investment in associates *(Continued)*

(c) One of the nine members of the board of directors of Guangdong Xuwen Rural Commercial Bank Co., Ltd. ("Xuwen RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Xuwen RCB and accounts for Xuwen RCB as an associate.

21 Property and equipment

	Buildings	Motor vehicles	Machinery and equipment	Construction in progress	Total
Cost					
As at 1 January 2023	2,679,498	38,662	1,127,418	862,967	4,708,545
Addition	6,710	4,569	30,878	25,082	67,239
Transfers in/(out)	16,053	—	8,135	(24,188)	—
Disposal	—	(3,568)	(57,580)	(5,803)	(66,951)
As at 31 December 2023	2,702,261	39,663	1,108,851	858,058	4,708,833
Accumulated depreciation					
As at 1 January 2023	(1,162,927)	(37,265)	(1,031,792)	—	(2,231,984)
Depreciation	(162,529)	(3,376)	(61,273)	—	(227,178)
Disposal	—	3,567	55,036	—	58,603
As at 31 December 2023	(1,325,456)	(37,074)	(1,038,029)	—	(2,400,559)
Provision for impairment losses					
As at 1 January 2023	(857)	—	—	—	(857)
Charge for the year	—	—	—	—	—
As at 31 December 2023	(857)	—	—	—	(857)
Net book value					
As at 31 December 2023	1,375,948	2,589	70,822	858,058	2,307,417

21 Property and equipment *(Continued)*

	Buildings	Motor vehicles	Machinery and equipment	Construction in progress	Total
Cost					
As at 1 January 2022	2,594,558	40,766	1,086,632	876,447	4,598,403
Addition	74,634	1,566	43,363	104,523	224,086
Transfers in/(out)	106,492	212	11,299	(118,003)	—
Disposal	(96,186)	(3,882)	(13,876)	—	(113,944)
As at 31 December 2022	2,679,498	38,662	1,127,418	862,967	4,708,545
Accumulated depreciation					
As at 1 January 2022	(1,030,922)	(38,503)	(981,193)	—	(2,050,618)
Depreciation	(148,871)	(2,630)	(60,882)	—	(212,383)
Disposal	16,866	3,868	10,283	—	31,017
As at 31 December 2022	(1,162,927)	(37,265)	(1,031,792)	—	(2,231,984)
Provision for impairment losses					
As at 1 January 2022	(857)	—	—	—	(857)
Charge for the year	—	—	—	—	—
As at 31 December 2022	(857)	—	—	—	(857)
Net book value					
As at 31 December 2022	1,515,714	1,397	95,626	862,967	2,475,704

As at 31 December 2023, The property rights of buildings in the Group with original costs of RMB490 million and net values at RMB96 million are defective. (31 December 2022: original costs of RMB498 million and net values at RMB120 million).

All properties of the Group and the Bank are located in the mainland of China.

22 Right-of-use assets and lease liabilities

	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at 1 January 2023	679,926	5,358	769,283	1,454,567
Increase	232,079	1,002	—	233,081
Decrease	(193,760)	(3,456)	—	(197,216)
As at 31 December 2023	718,245	2,904	769,283	1,490,432
Accumulated depreciation				
As at 1 January 2023	(314,155)	(2,809)	(201,130)	(518,094)
Increase	(106,616)	(2,132)	(16,669)	(125,417)
Decrease	144,799	3,456	—	148,255
As at 31 December 2023	(275,972)	(1,485)	(217,799)	(495,256)
Provision for impairment losses				
As at 1 January 2023	—	—	(2,355)	(2,355)
Increase	—	—	—	—
Decrease	—	—	—	—
As at 31 December 2023	—	—	(2,355)	(2,355)
Net book value				
As at 31 December 2023	442,273	1,419	549,129	992,821
Lease liabilities				
Net book value				
As at 31 December 2023	513,150	1,459	—	514,609

22 Right-of-use assets and lease liabilities *(Continued)*

	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at 1 January 2022	673,193	9,186	757,908	1,440,287
Increase	139,620	2,421	53,239	195,280
Decrease	(132,887)	(6,249)	(41,864)	(181,000)
As at 31 December 2022	679,926	5,358	769,283	1,454,567
Accumulated depreciation				
As at 1 January 2022	(320,627)	(4,540)	(189,635)	(514,802)
Increase	(102,072)	(4,500)	(15,956)	(122,528)
Decrease	108,544	6,231	4,461	119,236
As at 31 December 2022	(314,155)	(2,809)	(201,130)	(518,094)
Provision for impairment losses				
As at 1 January 2022	—	—	(2,355)	(2,355)
Increase	—	—	—	—
Decrease	—	—	—	—
As at 31 December 2022	—	—	(2,355)	(2,355)
Net book value				
As at 31 December 2022	365,771	2,549	565,798	934,118
Lease liabilities				
Net book value				
As at 31 December 2022	453,510	2,606	—	456,116

23 Goodwill

	Note	As at 31 December 2023	As at 31 December 2022
Zhanjiang Rural Commercial Bank Co., Ltd. (Zhanjiang RCB)		**181,381**	181,381
Guangdong Chaoyang Rural Commercial Bank Co., Ltd. (Chaoyang RCB)		**339,140**	339,140
Impairment allowance	(i)	**—**	—
		520,521	520,521

(i) Impairment assessment

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 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 2023	As at 31 December 2022	**As at 31 December 2023**	As at 31 December 2022
Stable period growth rate	**2.50%**	3.00%	**2.50%**	3.00%
Pre-tax discount rate	**13.08%**	15.24%	**16.36%**	16.00%

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. 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 analyses the recoverable amounts of the asset group within the business division.

The Directors and management have considered and assessed reasonably possible changes for 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.

(a) Main items of deferred tax assets and liabilities and their movements are as follows:

	Allowance for impairment losses	Changes in fair value of financial assets	Employee benefits payable	Accelerated depreciation of property and equipment	Deductible tax losses	Fair value gain from business combination	Lease liabilities/ Right-of-use assets	Total
As at 1 January 2023	**2,642,715**	**1,180,762**	**311,377**	**(32,163)**	**30,681**	**(95,738)**	**21,913**	**4,059,547**
Recognised in profit or loss	**745,047**	**(38,626)**	**18,016**	**8,130**	**(1,548)**	**12,014**	**(4,230)**	**738,803**
Recognised in other comprehensive income	**109,932**	**(197,908)**	**—**	**—**	**—**	**—**	**—**	**(87,976)**
As at 31 December 2023	**3,497,694**	**944,228**	**329,393**	**(24,033)**	**29,133**	**(83,724)**	**17,683**	**4,710,374**
As at 1 January 2022	2,196,506	899,834	349,699	(33,141)	28,081	(109,858)	—	3,331,121
Recognised in profit or loss	325,883	337,810	(38,322)	978	2,600	14,120	21,913	664,982
Recognised in other comprehensive income	120,326	(56,882)	—	—	—	—	—	63,444
As at 31 December 2022	2,642,715	1,180,762	311,377	(32,163)	30,681	(95,738)	21,913	4,059,547

24 Deferred income tax *(Continued)*

(b) The deferred tax assets and liabilities before offsetting and the corresponding temporary differences are as follows:

	As at 31 December 2023		As at 31 December 2022	
	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets:				
Allowance for impairment losses	14,006,455	3,497,694	10,570,860	2,642,715
Changes in fair value of financial assets	3,776,914	944,228	4,723,048	1,180,762
Employee benefits payable	1,319,254	329,393	1,245,508	311,377
Deductible tax losses	116,530	29,133	122,724	30,681
Lease liabilities	514,609	127,298	455,972	113,993
Sub-total	19,733,762	4,927,746	17,118,112	4,279,528
Deferred tax liabilities:				
Fair value gain from business combination	(334,896)	(83,724)	(382,952)	(95,738)
Accelerated depreciation of property and equipment	(96,131)	(24,033)	(128,652)	(32,163)
Right-of-use assets	(443,692)	(109,615)	(368,320)	(92,080)
Sub-total	(874,719)	(217,372)	(879,924)	(219,981)
Total	18,859,043	4,710,374	16,238,188	4,059,547

As at 31 December 2023, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB1,128 million (31 December 2022: RMB1,187 million). The outcome of their actual utilisation may be different from management's estimation. These tax losses will expire in 2024, 2025 and 2026.

25 Other assets

	Notes	As at 31 December 2023	2022
Long-term deferred expenses		**178,333**	172,336
Research and development expenditure		**157,323**	130,792
Receivables from disposal of long-term assets		**106,244**	132,126
Prepayments		**103,716**	163,714
Precious metals		**86,805**	760,683
Foreclosed assets	(a)	**86,310**	86,310
Interest receivable	(b)	**83,587**	80,626
Intangible assets — software	(c)	**42,710**	45,535
Clearing and settlement		**16,494**	117,689
Investment properties	(d)	**8,898**	10,565
Others		**150,071**	113,290
Total		**1,020,491**	1,813,666

(a) Foreclosed assets

	As at 31 December 2023	2022
Property and equipment	**274,986**	274,986
Land use rights	**107,461**	107,461
Subtotal	**382,447**	382,447
Provision for impairment losses	**(296,137)**	(296,137)
Total	**86,310**	86,310

(b) Interest receivable

	As at 31 December 2023	2022
Loans and advances to customers	**95,318**	86,953
Financial investments	**112,638**	151,776
Provision for impairment losses	**(124,369)**	(158,103)
Total	**83,587**	80,626

25 Other assets *(Continued)*

(c) Intangible assets — software

	As at 31 December	
	2023	2022
Cost		
Opening balance	**196,594**	184,777
Addition	**27,358**	11,893
Decrease	**—**	(76)
Ending balance	**223,952**	196,594
Accumulated amortisation		
Opening balance	**(151,059)**	(121,215)
Amortisation	**(30,183)**	(29,847)
Decrease	**—**	3
Ending balance	**(181,242)**	(151,059)
Net book value		
Ending balance	**42,710**	45,535

(d) Investment properties

	As at 31 December	
	2023	2022
Cost		
Opening balance	**67,237**	67,237
Disposal	**—**	—
Ending balance	**67,237**	67,237
Accumulated depreciation		
Opening balance	**(56,672)**	(55,005)
Depreciation	**(1,667)**	(1,667)
Decrease	**—**	—
Ending balance	**(58,339)**	(56,672)
Net book value		
Ending balance	**8,898**	10,565

26 Borrowings from the central bank

	As at 31 December	
	2023	2022
Medium-term Lending Facility	**24,800,000**	12,800,000
Refinancing loans	**13,007,760**	9,725,117
Re-discounted bills	**300,087**	558,831
Sub-total	**38,107,847**	23,083,948
Accrued interest	**371,361**	267,944
Total	**38,479,208**	23,351,892

As of 31 December 2023 and 2022, borrowings from the central bank were refinancing loans, re-discounted bills and Medium-term Lending Facility. The collateral provided by the Group and the Bank under borrowing agreements are disclosed in Note 40 to this report.

27 Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

		As at 31 December	
	Note	**2023**	2022
Deposits from domestic banks		**7,108,980**	7,009,437
Deposits from other domestic financial institutions		**3,417,771**	5,881,907
Placements from domestic banks		**3,842,859**	2,000,000
Bonds sold under repurchase agreements	(a)	**20,939,027**	22,592,631
Bills sold under repurchase agreements	(a)	**4,009,932**	6,828,782
Sub-total		**39,318,569**	44,312,757
Accrued interest		**84,568**	91,694
Total		**39,403,137**	44,404,451

(a) The securities provided by the Group as collateral under repurchase agreements are disclosed in Note 40 to this report.

28 Financial liabilities at fair value through profit or loss

	Note	As at 31 December	
		2023	2022
Gold leasing		**—**	729,030
Gold deposit		**27,802**	18,979
Others	(a)	**1,297,742**	1,061,203
Total		**1,325,544**	1,809,212

(a) On 20 December 2022, the Group has worked with Guangdong Utrust Investment Holdings Co., Ltd. ("Utrust Holdings") in using the small and medium banks development supporting Special Bonds issued by Guangdong Provincial Government to replenish capital of Guangdong Puning Rural Commercial Bank Co., Ltd. ("Puning RCB"), and entered into transaction agreements in relation to the transfer of the shares of Puning RCB ("Subject Shares") and the trust beneficial interest ("Subject Beneficial Interest") with Utrust Holdings. Based on the transaction agreements, the Group shall acquire, by tranches, Subject Shares and the Subject Beneficial Interest held by Utrust Holdings. The total consideration payable by the Group to Utrust Holdings for the acquisition of the Subject Shares and the Subject Beneficial Interest should in any event be capped at the Special Bonds principal and interest plus the corresponding taxes and fees, less the disposal proceeds received. As of 31 December 2023, the shortfall for the transaction agreements is RMB1.30 billion (31 December 2022: RMB1.06 billion).

29 Deposits from customers

	As at 31 December	
	2023	2022
Corporate demand deposits	**91,495,874**	101,798,785
Corporate time deposits	**95,239,526**	79,565,638
Individual demand deposits	**117,515,687**	122,182,086
Individual time deposits	**173,408,108**	147,879,965
Pledged deposits	**8,116,740**	7,160,671
Other deposits	**1,319,024**	575,409
Sub-total	**487,094,959**	459,162,554
Accrued interest	**8,648,929**	6,526,247
Total	**495,743,888**	465,688,801

30 Debt securities issued

	Notes	As at 31 December 2023	2022
Financial bonds for small and micro enterprise	(a)	**6,999,563**	4,998,866
Tier 2 capital bond	(b)	**3,998,622**	3,998,567
Fix-rated financial bond	(c)	**1,499,917**	—
Green financial bonds	(d)	**1,499,760**	999,851
Sannong financial bond	(e)	**999,914**	1,999,663
Interbank certificates of deposit	(f)	**56,681,253**	51,895,941
Sub-total		**71,679,029**	63,892,888
Accrued interest		**152,942**	160,579
Total		**71,831,971**	64,053,467

(a) In March 2020, the Bank issued a 3-year fixed rate special financial bond for small and micro enterprises ("financial bonds for small and micro enterprise") amounting to RMB2 billion with nominal annual interest rate of 2.94%, which was redeemed at maturity on 12 March 2023.

In February and March 2021, the Bank issued the first phase and second phase of 3-year fixed rate financial bonds for small and micro enterprise amounting to RMB2 billion and RMB1 billion with nominal annual interest rate of 3.58% and 3.52%, respectively, and these bonds pay interest annually.

In September and October 2023, the Bank issued the first phase and second phase of 3-year fixed rate financial bonds for small and micro enterprise amounting to RMB2.50 billion and RMB1.50 billion with nominal annual interest rate of 2.73% and 2.80%, respectively, and these bonds pays interest annually.

(b) In December 2022, the Bank issued a 10-year fixed rate Tier-2 capital bond amounting to RMB4 billion with nominal annual interest rate of 4.30%, and the bond pays interest annually.

(c) In November 2023, the Bank issued a 3-year fixed rate financial bond amounting to RMB1.50 billion with nominal annual interest rate of 2.83%, and the bond pays interest annually.

(d) In December 2020, the Bank issued a 3-year fixed rate green financial bond amounting to RMB1 billion with nominal annual interest rate of 3.75%, which was redeemed at maturity on 1 December 2023.

In July 2023, the Bank issued a 3-year fixed rate green financial bond amounting to RMB1.50 billion with nominal annual interest rate of 2.66%, and the bond pays interest annually.

(e) In September 2020, the Bank issued a 3-year fixed rate specialized financial bond for Sannong ("Sannong financial bond") amounting to RMB2 billion with nominal annual interest rate of 3.62%, which was redeemed at maturity on 14 September 2023.

In July 2023, the Bank issued a 3-year fixed rate Sannong financial bond amounting to RMB1 billion with nominal annual interest rate of 2.73%, and the bond pays interest annually.

30 Debt securities issued *(Continued)*

(f) Interbank certificates of deposit are as follows:

	As at 31 December	
	2023	2022
Reference rates of return	**2.13%–2.88%**	1.83%–2.65%
Original maturity	**1 to 12 months**	3 to 12 months

As at 31 December 2023 and 2022, the Group did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

31 Taxes payable

	As at 31 December	
	2023	2022
Income tax	**548**	87,975
VAT and others	**304,026**	369,329
Total	**304,574**	457,304

32 Other liabilities

	Notes	As at 31 December 2023	2022
Employee benefits payable	(a)	**2,146,561**	2,163,740
Accrued expenses		**489,872**	346,851
Purchases payable		**244,443**	292,831
Provisions	(b)	**145,339**	153,175
Outstanding payments of foreclosed assets		**88,715**	88,976
Clearing and settlement		**61,932**	116,497
Others		**127,001**	137,413
Total		**3,303,863**	3,299,483

(a) Employee benefits payable

	As at 31 December 2023	2022
Wages and salaries, bonuses, allowances and subsidies	**1,841,156**	1,770,022
Labour union funds and employee education funds	**134,975**	145,648
Enterprise annuity scheme	**117,150**	91,583
Social benefits and others	**53,280**	156,487
Total	**2,146,561**	2,163,740

(b) Provisions

	Note	As at 31 December 2023	2022
Loan commitments and financial guarantee contracts	(1)	**145,339**	153,175

32 Other liabilities *(Continued)*

(b) Provisions *(Continued)*

(1) Analysis of movements in provisions of loan commitments and financial guarantee contracts measured using the ECL model.

	Note	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2023		**110,206**	**41,310**	**1,659**	**153,175**
Net transfers in:					
— Stage 1		**(400)**	**—**	**—**	**(400)**
— Stage 2		**—**	**(37,220)**	**—**	**(37,220)**
— Stage 3		**—**	**—**	**37,620**	**37,620**
Originated or purchased		**89,810**	**—**	**—**	**89,810**
Remeasurement	(i)	**(979)**	**10,982**	**(16,956)**	**(6,953)**
Decrease		**(87,028)**	**(2,537)**	**(1,128)**	**(90,693)**
As at 31 December 2023		**111,609**	**12,535**	**21,195**	**145,339**

	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		83,354	1,675	9,660	94,689
Net transfers in:					
— Stage 1		(436)	—	—	(436)
— Stage 2		—	342	—	342
— Stage 3		—	—	94	94
Originated or purchased		91,750	—	—	91,750
Remeasurement	(i)	(5,067)	39,512	1,069	35,514
Decrease		(59,395)	(219)	(9,164)	(68,778)
As at 31 December 2022		110,206	41,310	1,659	153,175

(i) Remeasurement are caused by parameter changes or transfers between stages.

33 Share capital

	Number of shares (in thousand)	**Nominal amount**
As at 31 December 2023 and 31 December 2022	6,888,546	6,888,546

The share capital of the Bank consists of authorised share capital issued and fully paid, with par value of RMB1 per share.

34 Capital reserve

	Note	1 January 2023	Increase	Decrease	31 December 2023
Share premium		6,230,429	—	—	6,230,429
Other capital reserve	20	—	112,350	—	112,350
Total		6,230,429	112,350	—	6,342,779

35 Revaluation reserve

	2023	2022
As at January 1	**604,567**	789,488
Changes in fair value recognized in other comprehensive income	**705,041**	227,933
Transfer to profit or loss upon disposal	**(348,896)**	(461,451)
Changes in impairment losses recognized in other comprehensive income	**(28,521)**	(13,043)
Less: Deferred income tax	**(81,906)**	61,640
As at December 31	**850,285**	604,567

36 Surplus reserve and general reserve

	Surplus reserve (a)	**General reserve (b)**
1 January 2023	**8,323,435**	**6,915,566**
Appropriation to surplus reserve	**506,415**	**—**
Appropriation to general reserve	**—**	**506,542**
31 December 2023	**8,829,850**	**7,422,108**
1 January 2022	7,737,394	6,329,025
Appropriation to surplus reserve	586,041	—
Appropriation to general reserve	—	586,541
31 December 2022	8,323,435	6,915,566

36 Surplus reserve and general reserve *(Continued)*

(a) Surplus reserve

For the years ended 31 December 2023 and 2022, the surplus reserve 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 RMB506 million and RMB586 million to the statutory surplus reserve for the years ended 31 December 2023 and 2022, 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 on an annual basis as defined by the Requirement.

37 Dividends

		As at 31 December	
	Notes	**2023**	2022
Dividends on ordinary shares declared			
Cash dividend related to 2022	(1)	**1,997,678**	—
Cash dividend related to 2021	(2)	**—**	1,997,678

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.

(1) Distribution of final dividend for 2022

A dividend of RMB0.29 per share (tax inclusive) in respect of the year ended 31 December 2022, with a total of RMB1,998 million was approved in the annual general meeting on 25 May 2023.

(2) Distribution of final dividend for 2021

A dividend of RMB0.29 per share (tax inclusive) in respect of the year ended 31 December 2021, with a total of RMB1,998 million was approved in the annual general meeting on 23 May 2022.

38 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:

	As at 31 December	
	2023	2022
Cash	**2,478,099**	4,336,151
Surplus reserve deposits with the central bank	**8,811,540**	9,777,726
Deposits with banks and other financial institutions	**4,728,511**	5,691,977
Placements with banks and other financial institutions	**5,950,000**	4,390,000
Financial assets held under resale agreements	**1,340,450**	2,390,500
Total	**23,308,600**	26,586,354

39 Structured entities

(a) Consolidated structured entities

Structured entities consolidated by the Group include non-principal guaranteed WMPs and asset management plans, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As of 31 December 2023, the total consolidated structured entities were RMB3,694 million (31 December 2022: RMB7,702 million).

(b) Non-principal-guaranteed Wealth-Management Products ("WMPs") issued by the Group

Non-principal-guaranteed WMPs are not subject to any guarantee by the Group of the principal invested or interest to be paid.

The WMPs invest in a range of primarily fixed rate assets, most typically money market instruments, debt securities and other debt 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.

As of 31 December 2023, the Group were no non-principal-guaranteed WMPs consolidated and the unconsolidated non-principal-guaranteed WMPs amounted to RMB39,591 million. (As at 31 December 2022, the consolidated non-principal-guaranteed WMPs amounted to RMB3,490 million and the unconsolidated non-principal-guaranteed WMPs amounted to RMB39,792 million).

39 Structured entities *(Continued)*

(b) Non-principal-guaranteed Wealth-Management Products ("WMPs") issued by the Group *(Continued)*

For the year ended 31 December 2023 and 2022, the Group's interest in WMPs included fee and commission income of RMB362 million and RMB298 million, respectively.

(c) Unconsolidated 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. For the years ended 31 December 2023 and 2022, 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	
	Notes	**2023**	2022
Financial investments at fair value through profit or loss	18(a)		
— Fund investments		**26,429,513**	22,278,539
— Trust beneficiary rights		**1,739,899**	3,416,254
Financial investments at fair value through other comprehensive income	18(c)		
— Trust beneficiary rights		**29,236**	30,777
Total		**28,198,648**	25,725,570

For the years ended 31 December 2023 and 2022, the maximum exposures of the above structured entities were their carrying amounts.

40 Contingent liabilities and commitments

(a) Financial guarantees and other credit commitments

	As at 31 December	
	2023	2022
Unused limit of credit cards	**8,563,305**	9,594,259
Bank acceptances	**9,577,536**	6,838,020
Guarantees	**4,852,527**	3,873,420
Letters of credit	**911,310**	634,248
Total	**23,904,678**	20,939,947

(b) Credit risk weighted amounts of financial guarantees and credit commitments

	As at 31 December	
	2023	2022
Financial guarantees and credit commitments	**6,738,339**	5,996,448

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 NAFR guidance. Risk weightings used for contingent liabilities and credit commitments range from 0% to 100%.

(c) Capital commitments

The Group

	As at 31 December	
	2023	2022
Contracted, but not provided for	**139,643**	603,106

(d) Legal proceedings

The litigation cases of the Group are not expected to have a significant impact on the Group.

40 Contingent liabilities and commitments *(Continued)*

(e) Collateral

Assets as collateral

The fair value of the Group's assets pledged as collateral under borrowings from the central bank are as follows:

	As at 31 December	
	2023	2022
Debt securities	**46,004,301**	27,120,853
Loans	**105,720**	126,700
Bills	**300,087**	558,831
Total	**46,410,108**	27,806,384

The liabilities of above collateral were presented in Note 26.

The fair value of the Group's assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2023	2022
Debt securities	**22,847,625**	21,530,939
Bills	**4,005,823**	6,793,204
Total	**26,853,448**	28,324,143

The liabilities of above collateral were presented in Note 27. All repurchase agreements are due within 12 months from their effective dates.

Collateral accepted

The Group accepts bonds and notes as collateral in relevant securities borrowing and lending and repurchase agreement businesses. As at 31 December 2023 and 2022, the Group did not hold any collateral that can be resold or re-pledged.

40 Contingent liabilities and commitments *(Continued)*

(f) Redemption commitments of certificate treasury 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 of 31 December 2023, the balance of the principals of the Group's government bonds with early redemption obligations was RMB1,683 million (31 December 2022: RMB1,499 million). 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.

41 Related party transactions

(a) Related parties of the Bank

(i) Major shareholder

Major shareholder in the Bank is shown as follows:

	As at 31 December	
Shareholding (%)	**2023**	2022
Name of shareholder		
Guangdong Canvest Investment Co., Ltd.	**4.34%**	4.34%

(ii) Other related parties

Other related parties could be natural persons or legal persons, including directors, supervisors, senior managers of the Bank and their close family members; Entities controlled or jointly controlled by directors, supervisors, senior managers of the Bank and their closely related family members, and entities controlled or jointly controlled by the major shareholder of the Bank as set out in Note 41(a)(i).

41 Related party transactions *(Continued)*

(b) Related party transactions and balances

(i) Transactions and balances with major shareholder

As at each of the balance sheet dates, the Bank had the following transactions and balances with major shareholder:

	As at 31 December	
	2023	2022
Loans and advances to customers	**40,000**	42,000
Deposits from customers	**7,701**	1,404

The balances with related parties are trade in nature.

	Year ended 31 December	
	2023	2022
Interest income	**2,021**	2,147
Interest expense	**65**	52
Fee and commission income	**4**	2

	Year ended 31 December	
Range of rates	**2023**	2022
Loans and advances to customers	**5.15%**	5.15%
Deposits from customers	**0.20%**	0.35%

41 Related party transactions *(Continued)*

(b) Related party transactions and balances *(Continued)*

(ii) Transactions and balances with subsidiaries

As at each of the balance sheet dates, the Bank had the following transactions and balances with subsidiaries:

	As at 31 December	
	2023	2022
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	**106,883**	53,384
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	**273,183**	213,375
Debt securities issued	**—**	51,507

The balances with related parties are trade in nature.

	Year ended 31 December	
	2023	2022
Interest income	**350**	139
Interest expense	**2,391**	8,016

	Year ended 31 December	
Range of rates	**2023**	2022
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	**0.39%**	0.39%–1.94%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	**0.28%**	1.40%–2.42%
Debt securities issued	**—**	3.58%

41 Related party transactions *(Continued)*

(b) Related party transactions and balances *(Continued)*

(iii) Transactions and balances with associates

As at each of the balance sheet dates, the Bank had the following transactions and balances with associates:

	As at 31 December	
	2023	2022
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	**8,830**	3,801

The balances with related parties are trade in nature.

	Year ended 31 December	
	2023	2022
Interest income	**26**	11
Interest expense	**18**	700

	Year ended 31 December	
Range of rates	**2023**	2022
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	**2.16%**	—

41 Related party transactions *(Continued)*

(b) Related party transactions and balances *(Continued)*

(iv) Transaction and balances with other related parties

As at each of the balance sheet dates, the Bank had the following transactions and balances with other related parties:

	Note	As at 31 December	
		2023	2022
Loans and advances to customers		**15,804,377**	15,166,819
Deposits from customers		**2,280,063**	2,529,562
Non-principal-guaranteed WMPs issued by the Bank		**74,305**	142,716
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		**70,156**	—
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions		**125,000**	—
Right-of-use assets	(1)	**4,811**	3,040
Lease liabilities	(1)	**4,872**	3,075
Off-balance sheet item			
Credit Commitment		**1,637,094**	55,352

The balances with related parties are trade in nature.

	Year ended 31 December	
	2023	2022
Interest income	**763,693**	746,527
Interest expense	**23,322**	31,390
Fee and commission income	**232**	268
Leasing expenses	**2,057**	2,813

41 Related party transactions *(Continued)*

(b) Related party transactions and balances *(Continued)*

(iv) ***Transaction and balances with other related parties*** *(Continued)*

Range of rates	Year ended 31 December 2023	2022
Loans and advances to customers	**2.90%–6.30%**	3.28%–7.04%
Deposits from customers	**0.05%–4.26%**	0.35%–5.50%
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	**0.30%**	—
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	**1.82%–2.80%**	—
Management fee rate of non-principal-guaranteed WMPs issued by the Bank	**0.10%–0.50%**	0.10%–0.50%

(1) During the years ended 31 December 2023 and 2022, the Bank incurred RMB3.89 million and RMB2.81 million for lease contracts with related parties respectively. The lease term ranges from 1 year to 3 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:

	Year ended 31 December 2023	2022
Salaries and fees	**13,686**	13,466
Subsidies and physical benefits	**849**	800
Discretionary bonuses	**6,888**	8,702
Pension plan contributions	**972**	971
Total	**22,395**	23,939

41 Related party transactions *(Continued)*

(d) Loans and advances balances with directors, supervisors and their certain controlled body corporates and connected entities

	As at 31 December	
	2023	2022
Directors	**19,700**	19,900
Supervisors	**19,108**	20,000
Certain controlled body corporates and connected entities of the directors	**14,235,982**	13,487,927
Certain controlled body corporates and connected entities of the supervisors	**1,289,692**	1,421,149
Total	**15,564,482**	14,948,976

42 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 attributed 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.

42 Segmental analysis *(Continued)*

(a) Business segments *(Continued)*

	Year ended 31 December 2023				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	12,175,420	4,516,187	6,390,946	—	23,082,553
External interest expense	(4,109,865)	(4,989,191)	(3,411,188)	—	(12,510,244)
Inter-segment net interest income or expense	(1,003,630)	5,373,943	(4,370,313)	—	—
Net interest income	7,061,925	4,900,939	1,390,555	—	10,572,309
Net fee and commission income	82,370	575,597	40,765	14,045	712,777
Net trading gains or losses	44,971	2,338	1,033,999	—	1,081,308
Net gains or losses on financial investments	—	—	906,162	(198,673)	707,489
Other operating income	127,603	1,595	469	56,612	186,279
Operating income	7,316,869	5,480,469	590,840	(128,016)	13,260,162
Operating expense	1,862,871	(2,346,378)	(546,057)	(64,832)	(4,820,138)
— Depreciation and amortisation	(127,537)	(222,233)	(67,662)	(5,328)	(422,760)
Credit impairment losses	(1,940,814)	(1,504,205)	122,873	—	(3,322,146)
Share of profits of associates	—	—	—	51,858	51,858
Profit before tax	3,513,184	1,629,886	167,656	(140,990)	5,169,736
Capital expenditure	114,150	198,906	60,559	4,768	378,383

	As at 31 December 2023				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	228,576,055	119,145,299	354,205,796	2,216,068	704,143,218
Unallocated assets					4,710,374
Total assets					708,853,592
Segment liabilities	195,193,750	303,823,953	151,847,079	500,273	651,365,055

42 Segmental analysis *(Continued)*

(a) Business segments *(Continued)*

	Year ended 31 December 2022				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	11,878,729	4,567,051	6,334,411	—	22,780,191
External interest expense	(4,323,112)	(4,255,763)	(3,268,041)	—	(11,846,916)
Inter-segment net interest income or expense	(715,141)	4,410,079	(3,694,938)	—	—
Net interest income	6,840,476	4,721,367	(628,568)	—	10,933,275
Net fee and commission income	30,450	583,760	55,614	16,154	685,978
Net trading gains or losses	295,719	1,254	996,883	—	1,293,856
Net gains or losses on financial investments	—	—	1,146,783	(1,071,434)	75,349
Other operating income	154,877	(43)	(445)	93,110	247,499
Operating income	7,321,522	5,306,338	1,570,267	(962,170)	13,235,957
Operating expense	(1,692,262)	(1,828,391)	(1,101,942)	(125,329)	(4,747,924)
— Depreciation and amortisation	(114,973)	(176,333)	(126,855)	(4,960)	(423,121)
Credit impairment losses	(129,269)	(1,867,382)	(242,172)	—	(2,238,823)
Share of profits of associates	—	—	—	34,852	34,852
Profit before tax	5,499,991	1,610,565	226,153	(1,052,647)	6,284,062
Capital expenditure	143,698	220,389	158,550	6,200	528,837

	As at 31 December 2022				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	185,197,988	114,836,258	350,741,597	2,854,582	653,630,425
Unallocated assets					4,059,547
Total assets					657,689,972
Segment liabilities	188,673,213	279,900,992	134,651,058	644,780	603,870,043

43 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.

43.1 Credit risk

43.1.1 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 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.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.1 Credit risk management *(Continued)*

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 prelanding 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 2023 and 2022, the domestic economy was hit by various unexpected factors, and as a result, negative impact on the asset quality of the Group's credit assets and investments. In response to the government's policies, the Group delivered timely solutions to assist existing customers who had been affected by economic downswing, 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.

The Comprehensive Risk Management Execution 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 2023 and 2022, the loans and advances to customers written off by the Group amounted to RMB1,539 million and RMB620 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 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.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.2 Measurement of credit risk

(a) *Loans*

In accordance with the Guidelines for the Classification of Loan Risks issued by the NAFR, 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 non-performing loans. 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.

(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.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.2 *Measurement of credit risk* (Continued)

(c) *Other financial investments*

Other financial investments mainly comprise trust beneficiary rights, 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 have 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.

43.1.3 *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 makes 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 corporates' or individuals' guarantee are 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.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.3 *Risk limit control and mitigation measures* *(Continued)*

The fair value of collateral or pledge is generally determined with the help of specialised valuation agencies recognized 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	90%
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.

43.1.4 *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 measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.4 *Policies on provision for expected credit loss* (Continued)

(1) *Division of stages*

For financial instruments included in the measurement of ECL, the Group applies the "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.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.4 Policies on provision for expected credit loss (Continued)

(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 no 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.

Due to the sustained slowdown in macroeconomic growth, in response to the government's relief 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.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.4 *Policies on provision for expected credit loss* *(Continued)*

(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. These criteria are 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 being reclassified as the default status in various scenarios after it has been reversed.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.4 *Policies on provision for expected credit loss* (Continued)

(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 2023 and 2022, there was no significant change in the above estimation techniques or key assumptions.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.4 Policies on provision for expected credit loss *(Continued)*

(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 producer price index (PPI), stock of social financing scale (CNY loans), industrial added value, consumer price index (CPI), year-on-year (YOY) growth rate of money supply (M2).

As at 31 December 2023, the Group has assessed and forecasted the relevant macro economic indicators for 2024, of which the forecast value of 2024 YOY growth rate of M2 under each scenario is as follows: 9.90% under based scenario, 8.91% under upside scenario, and 10.40% under downside scenario.

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.

As at 31 December 2023, the weight of based scenario of the Group is equal to the sum of the weights of non-based scenario. If the weight of optimistic scenario increases by 10% while the weight of based scenario decreases by 10%, provision for credit impairment as at 31 December 2023 decreases by RMB471 million (31 December 2022: RMB216 million); if the weight of pessimistic scenario increases by 10% while the weight of based scenario decreases by 10%, provision for credit impairment increases by RMB744 million (31 December 2022: RMB773 million).

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.4 Policies on provision for expected credit loss *(Continued)*

(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.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.5 *Maximum exposures to credit risk before considering collateral held or other credit enhancements*

The Group		As at 31 December 2023				
	Note	Stage 1	Stage 2	Stage 3	Not Applicable	Total
Assets						
Balances with the central bank		34,457,216	—	—	—	34,457,216
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		17,566,453	—	—	—	17,566,453
Derivative financial assets		—	—	—	436,283	436,283
Loans and advances to customers		334,583,521	6,587,545	1,340,849	—	342,511,915
Financial investments						
— Financial investments at fair value through profit or loss		—	—	—	52,836,715	52,836,715
— Financial investments at amortised cost		137,222,600	3,478	—	—	137,226,078
— Financial investments at fair value through other comprehensive income		109,949,387	76,098	91,052	1,039,205	111,155,742
Other financial assets	(i)	332,197	33,719	61,760	—	427,676
Sub-total		634,111,374	6,700,840	1,493,661	54,312,203	696,618,078
Off-balance sheet items						
Bank acceptances		9,512,280	65,256	—	—	9,577,536
Letters of credit		911,310	—	—	—	911,310
Guarantees		4,784,526	8,001	60,000	—	4,852,527
Unused limit of credit cards		8,563,305	—	—	—	8,563,305
Sub-total		23,771,421	73,257	60,000	—	23,904,678
Total		657,882,795	6,774,097	1,553,661	54,312,203	720,522,756

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.5 *Maximum exposures to credit risk before considering collateral held or other credit enhancements (Continued)*

The Group		As at 31 December 2022				
	Note	Stage 1	Stage 2	Stage 3	Not Applicable	Total
Assets						
Balances with the central bank		35,688,685	—	—	—	35,688,685
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		15,515,079	—	—	—	15,515,079
Derivative financial assets		—	—	—	340,047	340,047
Loans and advances to customers		317,636,424	2,262,669	1,849,031	—	321,748,124
Financial investments						
— Financial investments at fair value through profit or loss		—	—	—	52,182,664	52,182,664
— Financial investments at amortised cost		124,345,914	6,997	—	—	124,352,911
— Financial investments at fair value through other comprehensive income		92,214,128	131,789	201,180	695,237	93,242,334
Other financial assets	(i)	499,895	20,964	88,350	—	609,209
Sub-total		585,900,125	2,422,419	2,138,561	53,217,948	643,679,053
Off-balance sheet items						
Bank acceptances		6,830,010	8,010	—	—	6,838,020
Letters of credit		634,248	—	—	—	634,248
Guarantees		3,805,419	8,001	60,000	—	3,873,420
Unused limit of credit cards		9,562,511	7,221	24,527	—	9,594,259
Sub-total		20,832,188	23,232	84,527	—	20,939,947
Total		606,732,313	2,445,651	2,223,088	53,217,948	664,619,000

(i) Other financial assets include interest receivable and other receivables.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.6 Loans and advances to customers

(a) *Industry analysis*

The Group	As at 31 December 2023		As at 31 December 2022	
	Amount	%	Amount	%
Corporate loans and advances				
Manufacturing	56,739,310	15.95%	46,271,637	13.91%
Leasing and commercial services	35,171,524	9.89%	35,855,433	10.78%
Wholesale and retail	33,840,690	9.51%	34,720,332	10.44%
Construction	22,803,989	6.41%	24,204,722	7.28%
Real estate	19,681,277	5.53%	16,165,085	4.86%
Production and supply of power, gas and water	6,992,548	1.97%	6,268,004	1.88%
Finance	5,406,191	1.52%	5,579,271	1.68%
Transportation, logistics and postal services	5,253,443	1.48%	4,612,260	1.39%
Education	3,267,422	0.92%	3,921,895	1.18%
Water, environment and public utilities management	3,179,212	0.89%	2,901,710	0.87%
Hotels and catering industries	3,105,564	0.87%	2,540,994	0.76%
Health, social security, and welfare	2,528,785	0.71%	2,294,669	0.69%
Agriculture, forestry, animal husbandry and fishery	1,833,456	0.52%	2,002,141	0.60%
Scientific research and technical services, and geological prospecting	953,212	0.27%	575,550	0.17%
Information transmission, software and IT services	925,222	0.26%	905,328	0.27%
Residential services and other services	482,915	0.14%	227,719	0.07%
Culture, sports, and entertainment	141,280	0.04%	114,998	0.03%
Public management and social organisations	50,063	0.01%	—	—
Mining	8,834	0.00%	7,900	0.00%
Sub-total	202,364,937	56.89%	189,169,648	56.86%
Personal loans and advances				
Business loans	44,272,043	12.44%	38,675,434	11.63%
Property mortgages	38,863,183	10.92%	38,939,465	11.71%
Personal consumption loans	35,337,953	9.93%	30,053,733	9.03%
Credit cards	4,921,478	1.38%	6,760,399	2.03%
Sub-total	123,394,657	34.67%	114,429,031	34.40%
Inter-bank discounted bills and forfaiting	29,313,748	8.23%	28,399,022	8.54%
Accrued interest	730,437	0.21%	670,422	0.20%
Total loans and advances to customers	355,803,779	100.00%	332,668,123	100.00%

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.6 Loans and advances to customers (Continued)

(b) Type of collateral analysis

The Group	As at 31 December	
	2023	2022
Collateralised loans	**183,143,329**	170,426,153
Guaranteed loans	**94,098,085**	84,448,418
Pledged loans	**40,106,761**	41,939,301
Unsecured loans	**37,725,167**	35,183,829
Sub-total	**355,073,342**	331,997,701
Accrued interest	**730,437**	670,422
Total	**355,803,779**	332,668,123

(c) Concentration analysis by geographical regions

The Group	As at 31 December 2023		As at 31 December 2022	
	Amount	**%**	Amount	%
Dongguan	**283,906,297**	**79.78%**	264,363,531	79.47%
Zhanjiang	**18,484,393**	**5.20%**	17,099,446	5.14%
Others	**52,682,652**	**14.81%**	50,534,724	15.19%
Accrued interest	**730,437**	**0.21%**	670,422	0.20%
Total	**355,803,779**	**100.00%**	332,668,123	100.00%

Concentration analysis of overdue loans and advances to customers by geographical regions

The Group	As at 31 December 2023		As at 31 December 2022	
	Amount	**%**	Amount	%
Dongguan	**4,307,203**	**68.02%**	2,606,982	42.01%
Zhanjiang	**662,343**	**10.46%**	599,956	9.67%
Others	**1,362,359**	**21.52%**	2,999,219	48.32%
Total	**6,331,905**	**100.00%**	6,206,157	100.00%

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.6 *Loans and advances to customers (Continued)*

(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:

The Group	As at 31 December 2023			
Loans and advances	Stage 1	Stage 2	Stage 3	Total
Overdue days				
Not overdue	338,865,303	8,715,040	1,891,531	349,471,874
Between 0 and 30 days	519,929	307,483	55,341	882,753
Between 30 and 60 days	—	636,219	813,803	1,450,022
Between 60 and 90 days	—	63,377	148,848	212,225
More than 90 days/Default	—	—	3,786,905	3,786,905
Total	339,385,232	9,722,119	6,696,428	355,803,779
Provision for ECL	(4,801,711)	(3,134,574)	(5,355,579)	(13,291,864)
Net amount	334,583,521	6,587,545	1,340,849	342,511,915

The Group	As at 31 December 2022			
Loans and advances	Stage 1	Stage 2	Stage 3	Total
Overdue days				
Not overdue	321,018,663	2,661,364	2,781,939	326,461,966
Between 0 and 30 days	651,880	225,028	1,850,645	2,727,553
Between 30 and 60 days	—	567,699	396,262	963,961
Between 60 and 90 days	—	31,225	161,491	192,716
More than 90 days/Default	—	—	2,321,927	2,321,927
Total	321,670,543	3,485,316	7,512,264	332,668,123
Provision for ECL	(4,034,119)	(1,222,647)	(5,663,233)	(10,919,999)
Net amount	317,636,424	2,262,669	1,849,031	321,748,124

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.6 *Loans and advances to customers* *(Continued)*

(d) Analysis by overdue days and impairment evaluation (Continued)

(2) Overdue loans and advances to customers are set out by collateral type and overdue days as follows:

The Group	As at 31 December 2023				
	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	Total
Guaranteed loans	994,050	493,008	86,873	1,917	1,575,848
Collateralised loans	1,204,013	1,915,068	592,779	25,736	3,737,596
Unsecured loans	304,503	306,099	276,518	63,192	950,312
Pledged loans	42,434	1,870	—	23,845	68,149
Total	2,545,000	2,716,045	956,170	114,690	6,331,905

The Group	As at 31 December 2022				
	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	Total
Guaranteed loans	2,013,196	50,357	287,059	6,299	2,356,911
Collateralised loans	1,078,920	436,292	668,361	93,203	2,276,776
Unsecured loans	555,114	263,499	249,154	18,885	1,086,652
Pledged loans	237,000	—	226,484	22,334	485,818
Total	3,884,230	750,148	1,431,058	140,721	6,206,157

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.6 *Loans and advances to customers (Continued)*

(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:

The Group	As at 31 December	
	2023	2022
Corporate loans and advances	**4,759,357**	5,980,622
Personal loans and advances	**1,937,071**	1,531,642
Total	**6,696,428**	7,512,264
Fair value of collateral		
— Corporate loans and advances	**1,236,435**	2,214,508
— Personal loans and advances	**784,218**	758,700
Total	**2,020,653**	2,973,208

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.

Concentration of loans and advances to customers impaired/at Stage 3 by geographical regions

	As at 31 December 2023		As at 31 December 2022	
The Group	**Amount**	**%**	Amount	%
Dongguan	**3,972,316**	**59.32%**	5,063,202	67.40%
Zhanjiang	**255,055**	**3.81%**	190,002	2.53%
Others	**2,469,057**	**36.87%**	2,259,060	30.07%
Total	**6,696,428**	**100.00%**	7,512,264	100.00%

As at 31 December 2023, the Group's loans and advances to customers impaired/at Stage 3 accounted for 1.88% (31 December 2022: 2.26%) of the loans.

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.7 Foreclosed assets

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Usually the Group does not use recovered foreclosed assets for business activities. As at 31 December 2023 and 2022, foreclosed assets were listed under other assets.

43.1.8 Debt instrument investments

The credit risks of debt instrument investments are classified mainly based on their external credit ratings.

(a) Debt instrument investments classified by borrower ratings

(1) The exposures of financial investments at amortised cost are analysed as follows:

		As at 31 December 2023			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit ratings					
AA to AAA		**10,671,108**	**—**	**—**	**10,671,108**
Unrated	(i)	**126,926,335**	**6,119**	**—**	**126,932,454**
Total		**137,597,443**	**6,119**	**—**	**137,603,562**
Provision for ECL		**(374,843)**	**(2,641)**	**—**	**(377,484)**
Net book value		**137,222,600**	**3,478**	**—**	**137,226,078**

		As at 31 December 2022			
	Note	Stage 1	Stage 2	Stage 3	Total
Credit ratings					
AA to AAA		13,699,014	—	—	13,699,014
Unrated	(i)	111,097,607	12,231	—	111,109,838
Total		124,796,621	12,231	—	124,808,852
Provision for ECL		(450,707)	(5,234)	—	(455,941)
Net book value		124,345,914	6,997	—	124,352,911

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.8 Debt instrument investments (Continued)

(a) Debt instrument investments classified by borrower ratings (Continued)

(2) The exposures of financial investments at fair value through other comprehensive income are analysed as follows:

		As at 31 December 2023			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit ratings					
AA to AAA		**11,897,370**	**76,098**	**—**	**11,973,468**
CCC+ to AA-		**—**	**—**	**—**	**—**
Default		**—**	**—**	**61,816**	**61,816**
Unrated	(i)	**98,052,017**	**—**	**29,236**	**98,081,253**
Net book value		**109,949,387**	**76,098**	**91,052**	**110,116,537**

		As at 31 December 2022			
	Note	Stage 1	Stage 2	Stage 3	Total
Credit ratings					
AA to AAA		17,362,167	—	—	17,362,167
CCC+ to AA-		—	131,789	—	131,789
Default		—	—	170,404	170,404
Unrated	(i)	74,851,961	—	30,776	74,882,737
Net book value		92,214,128	131,789	201,180	92,547,097

43 Financial risk management *(Continued)*

43.1 Credit risk *(Continued)*

43.1.8 Debt instrument investments *(Continued)*

(b) Debt instrument investments classified by facility ratings

		As at 31 December 2023			
	Note	Financial investments at fair value through profit or loss	Financial investments at amortised cost	Financial investments at fair value through other comprehensive income	Total
AA to AAA		4,899,024	59,738,167	37,320,681	101,957,872
CCC+ to AA-		11,238	—	41,731	52,969
CCC and below		—	—	10,214	10,214
Unrated	(i)	47,926,453	77,487,911	72,743,911	198,158,275
Total		52,836,715	137,226,078	110,116,537	300,179,330

		As at 31 December 2022			
	Note	Financial investments at fair value through profit or loss	Financial investments at amortised cost	Financial investments at fair value through other comprehensive income	Total
AA to AAA		5,373,803	47,648,507	34,041,642	87,063,952
CCC+ to AA-		12,743	—	44,969	57,712
CCC and below		—	—	38,571	38,571
Unrated	(i)	46,796,118	76,704,404	58,421,915	181,922,437
Total		52,182,664	124,352,911	92,547,097	269,082,672

(i) The Group's unrated debt instrument investments comprise mainly of treasury bonds, local government bonds, financial bonds issued by policy banks, commercial bank bonds, non-bank financial institutions bonds and trust beneficiary rights.

43 Financial risk management *(Continued)*

43.2 Market risk

43.2.1 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 by the Group.

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.

43 Financial risk management *(Continued)*

43.2 Market risk

43.2.2 *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.

43 Financial risk management *(Continued)*

43.2 Market risk *(Continued)*

43.2.2 *Market analysis metrics* *(Continued)*

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.

43.2.3 *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 adjusts 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.

43 Financial risk management *(Continued)*

43.2 Market risk *(Continued)*

43.2.3 *Interest rate risk (Continued)*

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 2023	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with the central bank	34,309,981	—	—	—	2,625,334	36,935,315
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	12,443,363	5,103,231	—	—	19,859	17,566,453
Derivative financial assets	—	—	—	—	436,283	436,283
Loans and advances to customers	175,968,665	96,865,058	66,529,872	2,419,590	728,730	342,511,915
Financial investments						
— Financial investments at fair value through profit or loss	7,650,866	6,656,340	9,622,497	649,175	28,257,837	52,836,715
— Financial investments at amortised cost	10,944,809	17,977,773	46,918,052	59,653,236	1,732,208	137,226,078
— Financial investments at fair value through other comprehensive income	9,425,865	25,536,726	45,906,539	27,661,826	2,624,786	111,155,742
Other financial assets	—	—	—	—	427,676	427,676
Total financial assets	250,743,549	152,139,128	168,976,960	90,383,827	36,852,713	699,096,177
Liabilities						
Borrowings from the central bank	16,200,494	21,907,353	—	—	371,361	38,479,208
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	33,284,955	4,033,614	2,000,000	—	84,568	39,403,137
Financial liabilities at fair value through profit or loss	—	—	—	—	1,325,544	1,325,544
Derivative financial liabilities	—	—	—	—	458,261	458,261
Deposits from customers	274,992,293	89,642,701	122,093,777	—	9,015,117	495,743,888
Debt securities issued	26,370,794	33,310,284	7,999,329	3,998,622	152,942	71,831,971
Lease liabilities	31,043	86,674	273,019	123,873	—	514,609
Other financial liabilities	—	—	—	—	306,375	306,375
Total financial liabilities	350,879,579	148,980,626	132,366,125	4,122,495	11,714,168	648,062,993
Interest rate gap	(100,136,030)	3,158,502	36,610,835	86,261,332	25,138,545	51,033,184

43 Financial risk management *(Continued)*

43.2 Market risk *(Continued)*

43.2.3 Interest rate risk *(Continued)*

As at 31 December 2022	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with the central bank	35,477,540	—	—	—	4,547,296	40,024,836
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	12,820,437	2,675,823	—	—	18,819	15,515,079
Derivative financial assets	—	—	—	—	340,047	340,047
Loans and advances to customers	197,873,252	77,175,457	42,996,976	3,033,966	668,473	321,748,124
Financial investments						
— Financial investments at fair value through profit or loss	11,980,845	9,085,309	4,964,309	1,879,369	24,272,832	52,182,664
— Financial investments at amortised cost	16,021,470	16,126,929	39,508,106	50,935,040	1,761,366	124,352,911
— Financial investments at fair value through other comprehensive income	3,523,463	15,464,877	46,688,106	25,454,890	2,110,998	93,242,334
Other financial assets	—	—	—	—	609,209	609,209
Total financial assets	277,697,007	120,528,395	134,157,497	81,303,265	34,329,040	648,015,204
Liabilities						
Borrowings from the central bank	12,870,373	10,190,525	23,050	—	267,944	23,351,892
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	34,292,606	8,020,151	2,000,000	—	91,694	44,404,451
Financial liabilities at fair value through profit or loss	138,359	590,671	—	—	1,080,182	1,809,212
Derivative financial liabilities	—	—	—	—	349,317	349,317
Deposits from customers	270,081,155	90,522,725	97,923,174	—	7,161,747	465,688,801
Debt securities issued	10,294,307	46,601,040	2,998,974	3,998,567	160,579	64,053,467
Lease liabilities	30,825	84,691	276,210	64,390	—	456,116
Other financial liabilities	—	—	—	—	409,328	409,328
Total financial liabilities	327,707,625	156,009,803	103,221,408	4,062,957	9,520,791	600,522,584
Interest rate gap	(50,010,618)	(35,481,408)	30,936,089	77,240,308	24,808,249	47,492,620

43 Financial risk management *(Continued)*

43.2 Market risk *(Continued)*

43.2.3 ***Interest rate risk*** *(Continued)*

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 profit 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 unparalleled yield curve movements.

The sensitivity analysis on net profit 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 behaviour, 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	
	2023	2022
+100 basis point parallel move in all yield curves	**(1,055,514)**	(814,469)
-100 basis point parallel move in all yield curves	**1,065,689**	828,920

	Expected changes of other comprehensive income	
	As at 31 December	
	2023	2022
+100 basis point parallel move in all yield curves	**(2,182,667)**	(2,180,974)
-100 basis point parallel move in all yield curves	**2,311,846**	2,086,620

43 Financial risk management *(Continued)*

43.2 Market risk *(Continued)*

43.2.3 *Interest rate risk* *(Continued)*

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.

43.2.4 *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.

43 Financial risk management *(Continued)*

43.2 Market risk *(Continued)*

43.2.4 Foreign exchange risk *(Continued)*

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 2023	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)
Assets			
Cash and balances with the central bank	79,123	105,106	—
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	1,032,620	209,629	25,919
Loans and advances to customers	294,858	—	1,048
Financial investments			
— Financial investments at amortised cost	144,073	—	—
— Financial investments at fair value through other comprehensive income	897,134	—	—
Other financial assets	3,276	12	—
Total financial assets	2,451,084	314,747	26,967
Liability			
Deposits from customers	642,005	539,756	16,999
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	5	—	—
Total financial liabilities	642,010	539,756	16,999
Net on-balance sheet position	1,809,074	(225,009)	9,968
Net notional amount of derivatives	971,633	28	—
Financial guarantees and credit commitments	332,249	—	4,320

43 Financial risk management *(Continued)*

43.2 Market risk *(Continued)*

43.2.4 Foreign exchange risk *(Continued)*

As at 31 December 2022	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)
Assets			
Cash and balances with the central bank	63,582	103,916	—
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	859,986	122,709	48,627
Loans and advances to customers	668,521	742	1,476
Total financial assets	1,592,089	227,367	50,103
Liability			
Deposits from customers	930,699	624,494	18,015
Net on-balance sheet position	661,390	(397,127)	32,088
Net notional amount of derivatives	(40,447)	—	—
Financial guarantees and credit commitments	303,544	—	10,556

43 Financial risk management *(Continued)*

43.2 Market risk *(Continued)*

43.2.4 Foreign exchange risk *(Continued)*

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	
	2023	2022
USD/RMB10% appreciation	**208,553**	46,571
USD/RMB10% depreciation	**(208,553)**	(46,571)

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.

43 Financial risk management *(Continued)*

43.3 Liquidity risk

43.3.1 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 Planning and Finance 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.

43 Financial risk management *(Continued)*

43.3 Liquidity risk *(Continued)*

43.3.2 *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 2023	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 the central bank	11,302,844	—	23,342	5,858	—	—	25,603,271	36,935,315
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	4,559,991	4,847,255	3,108,773	5,191,037	—	—	—	17,707,056
Loans and advances to customers	1,911,048	12,974,493	30,451,906	98,411,299	100,528,047	186,533,655	3,588,398	434,398,846
Financial investments								
— Financial investments at fair value through profit or loss	26,429,513	447,984	7,464,036	7,089,825	11,194,688	1,442,810	—	54,068,856
— Financial investments at amortised cost	—	6,985,812	5,148,894	20,939,135	57,453,780	64,967,571	—	155,495,192
— Financial investments at fair value through other comprehensive income	—	2,602,104	7,651,267	27,513,322	50,752,680	28,321,287	1,129,891	117,970,551
Other financial assets	423,976	—	—	—	—	—	3,700	427,676
Total financial assets	44,627,372	27,857,648	53,848,218	159,150,476	219,929,195	281,265,323	30,325,260	817,003,492
Non-derivative financial liabilities								
Borrowings from the central bank	—	467,714	15,896,022	22,261,029	—	—	—	38,624,765
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,312,002	28,755,538	3,310,797	4,113,835	2,079,050	—	—	39,571,222
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	1,325,544	1,325,544
Deposits from customers	211,452,165	26,727,589	39,483,076	94,212,061	135,141,326	—	—	507,016,217
Debt securities issued	—	11,300,000	15,236,800	33,660,000	8,659,700	5,548,000	—	74,404,500
Lease liabilities	—	11,034	22,273	93,434	301,247	155,285	—	583,273
Other financial liabilities	61,933	15,379	31,224	197,839	—	—	—	306,375
Total financial liabilities	212,826,100	67,277,254	73,980,192	154,538,198	146,181,323	5,703,285	1,325,544	661,831,896
Net position	(168,198,728)	(39,419,606)	(20,131,974)	4,612,278	73,747,872	275,562,038	28,999,716	155,171,596
Derivative cash flows								
Derivative financial instruments settled on a net basis	—	(43)	559	1,828	(31,727)	—	—	(29,383)
Derivative financial instruments settled on a gross basis								
— Total inflow	—	3,150,185	754,924	258,407	—	—	—	4,163,516
— Total outflow	—	(2,548,104)	(365,236)	(278,515)	—	—	—	(3,191,855)

43 Financial risk management *(Continued)*

43.3 Liquidity risk *(Continued)*

43.3.2 *Analysis of the undiscounted contractual cash flows* *(Continued)*

As at 31 December 2022	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 the central bank	14,127,166	—	—	—	—	—	25,897,670	40,024,836
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	5,423,476	4,744,038	2,797,685	2,739,541	—	—	—	15,704,740
Loans and advances to customers	5,599,316	11,911,801	22,326,883	87,935,015	90,134,698	202,222,035	—	420,129,748
Financial investments								
— Financial investments at fair value through profit or loss	22,278,558	4,877,643	7,281,213	9,575,549	6,315,916	3,031,891	12,743	53,373,513
— Financial investments at amortised cost	—	7,520,388	9,919,447	18,141,672	47,176,988	55,862,959	—	138,621,454
— Financial investments at fair value through other comprehensive income	—	767,816	3,275,243	17,431,016	51,170,137	26,226,395	896,418	99,767,025
Other financial assets	605,509	—	—	—	—	—	3,700	609,209
Total financial assets	48,034,025	29,821,686	45,600,471	135,822,793	194,797,739	287,343,280	26,810,531	768,230,525
Non-derivative financial liabilities								
Borrowings from the central bank	—	3,114,353	9,953,139	10,467,449	25,032	—	—	23,559,973
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	581,455	30,533,680	3,337,909	8,160,166	2,014,308	—	—	44,627,518
Financial liabilities at fair value through profit or loss	—	10,002	128,357	590,671	—	—	1,080,182	1,809,212
Deposits from customers	229,343,008	17,320,892	28,520,103	94,534,104	108,268,905	—	—	477,987,012
Debt securities issued	—	—	10,474,359	47,364,919	3,106,800	4,172,000	—	65,118,078
Lease liabilities	—	10,981	22,088	91,369	304,387	76,042	—	504,867
Other financial liabilities	116,496	24,032	48,792	220,008	—	—	—	409,328
Total financial liabilities	230,040,959	51,013,940	52,484,747	161,428,686	113,719,432	4,248,042	1,080,182	614,015,988
Net position	(182,006,934)	(21,192,254)	(6,884,276)	(25,605,893)	81,078,307	283,095,238	25,730,349	154,214,537
Derivative cash flows								
Derivative financial instruments settled on a net basis	—	(119)	50	17,108	(29,417)	—	—	(12,378)
Derivative financial instruments settled on a gross basis								
— Total inflow	—	94,588	235,871	503,440	—	—	—	833,899
— Total outflow	—	(11,322)	(348,349)	(514,675)	—	—	—	(874,346)

43 Financial risk management *(Continued)*

43.3 Liquidity risk *(Continued)*

43.3.3 *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 2023	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Financial assets								
Cash and balances with the central bank	11,302,844	—	23,342	5,858	—	—	25,603,271	36,935,315
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	4,559,991	4,803,459	3,095,420	5,107,583	—	—	—	17,566,453
Derivative financial assets	—	70,331	39,148	130,742	196,062	—	—	436,283
Loans and advances to customers	1,899,630	12,032,760	29,893,199	94,615,312	84,722,726	115,796,352	3,551,936	342,511,915
Financial investments								
— Financial investments at fair value through profit or loss	26,429,513	356,514	7,326,375	6,938,828	10,460,692	1,324,793	—	52,836,715
— Financial investments at amortised cost	—	6,859,772	4,940,545	18,840,241	46,932,284	59,653,236	—	137,226,078
— Financial investments at fair value through other comprehensive income	—	2,547,851	7,541,009	26,355,083	45,920,082	27,661,826	1,129,891	111,155,742
Other financial assets	423,976	—	—	—	—	—	3,700	427,676
Total financial assets	44,615,954	26,670,687	52,859,038	151,993,647	188,231,846	204,436,207	30,288,798	699,096,177
Financial liabilities								
Borrowings from the central bank	—	467,518	15,889,155	22,122,535	—	—	—	38,479,208
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,312,002	28,741,630	3,297,401	4,050,546	2,001,558	—	—	39,403,137
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	1,325,544	1,325,544
Derivative financial liabilities	—	66,469	35,560	128,443	227,789	—	—	458,261
Deposits from customers	211,452,165	26,707,594	39,165,519	92,497,776	125,920,834	—	—	495,743,888
Debt securities issued	—	11,286,055	15,115,330	33,310,284	8,080,903	4,039,399	—	71,831,971
Lease liabilities	—	10,288	20,755	86,674	273,019	123,873	—	514,609
Other financial liabilities	61,933	15,379	31,224	197,839	—	—	—	306,375
Total financial liabilities	212,826,100	67,294,933	73,554,944	152,394,097	136,504,103	4,163,272	1,325,544	648,062,993
Net position	(168,210,146)	(40,624,246)	(20,695,906)	(400,450)	51,727,743	200,272,935	28,963,254	51,033,184

43 Financial risk management *(Continued)*

43.3 Liquidity risk *(Continued)*

43.3.3 *Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)*

As at 31 December 2022	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Financial assets								
Cash and balances with the central bank	14,127,166	—	—	—	—	—	25,897,670	40,024,836
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	5,423,476	4,623,071	2,786,800	2,681,732	—	—	—	15,515,079
Derivative financial assets	—	29,471	43,290	180,774	86,512	—	—	340,047
Loans and advances to customers	5,560,244	11,277,505	22,213,620	87,694,412	79,260,688	115,741,655	—	321,748,124
Financial investments								
— Financial investments at fair value through profit or loss	22,278,558	4,755,593	7,242,605	9,363,815	5,786,762	2,742,588	12,743	52,182,664
— Financial investments at amortised cost	—	7,480,022	9,454,378	16,969,974	39,516,215	50,932,322	—	124,352,911
— Financial investments at fair value through other comprehensive income	—	690,975	3,251,759	16,260,186	46,688,106	25,454,890	896,418	93,242,334
Other financial assets	605,509	—	—	—	—	—	3,700	609,209
Total financial assets	47,994,953	28,856,637	44,992,452	133,150,893	171,338,283	194,871,455	26,810,531	648,015,204
Financial liabilities								
Borrowings from the central bank	—	3,110,201	9,909,563	10,308,810	23,318	—	—	23,351,892
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	581,455	30,462,515	3,298,798	8,060,125	2,001,558	—	—	44,404,451
Financial liabilities at fair value through profit or loss	—	10,002	128,357	590,671	—	—	1,080,182	1,809,212
Derivative financial liabilities	—	32,113	37,942	163,331	115,931	—	—	349,317
Deposits from customers	229,343,008	17,071,372	28,121,182	91,823,285	99,329,954	—	—	465,688,801
Debt securities issued	—	—	10,428,667	46,627,259	2,998,974	3,998,567	—	64,053,467
Lease liabilities	—	10,240	20,585	84,691	276,210	64,390	—	456,116
Other financial liabilities	116,496	24,032	48,792	220,008	—	—	—	409,328
Total financial liabilities	230,040,959	50,720,475	51,993,886	157,878,180	104,745,945	4,062,957	1,080,182	600,522,584
Net position	(182,046,006)	(21,863,838)	(7,001,434)	(24,727,287)	66,592,338	190,808,498	25,730,349	47,492,620

43 Financial risk management *(Continued)*

43.3 Liquidity risk *(Continued)*

43.3.4 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 2023	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	**9,577,536**	**—**	**—**	**9,577,536**
Letters of credit	**911,310**	**—**	**—**	**911,310**
Guarantees	**4,655,879**	**196,187**	**461**	**4,852,527**
Unused limit of credit cards	**8,563,305**	**—**	**—**	**8,563,305**
Total	**23,708,030**	**196,187**	**461**	**23,904,678**

As at 31 December 2022	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	6,838,020	—	—	6,838,020
Letters of credit	634,248	—	—	634,248
Guarantees	2,746,052	1,097,790	29,578	3,873,420
Unused limit of credit cards	9,594,259	—	—	9,594,259
Total	19,812,579	1,097,790	29,578	20,939,947

43.4 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.

43 Financial risk management *(Continued)*

43.4 Fair value of financial assets and liabilities *(Continued)*

(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 the central bank, financial assets held under resale agreements and deposits and placements with banks and other financial institutions, loans and advances to customers, borrowings from the central bank, 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 2023				
			Including:		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial asset					
Financial investments at amortised cost	**137,226,078**	**139,965,517**	**—**	**139,676,823**	**288,694**
Financial liability					
Debt securities issued	**71,831,971**	**72,029,528**	**—**	**72,029,528**	**—**

	As at 31 December 2022				
			Including:		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial asset					
Financial investments at amortised cost	124,352,911	125,343,679	—	125,083,220	260,459
Financial liability					
Debt securities issued	64,053,467	64,076,932	—	64,076,932	—

43 Financial risk management *(Continued)*

43.4 Fair value of financial assets and liabilities *(Continued)*

(c) *Financial instruments measured at fair value*

		As at 31 December 2023			
	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Derivative financial assets		—	436,283	—	436,283
Loans and advances to customers at fair value through other comprehensive income		—	—	29,313,748	29,313,748
Financial investments at fair value through profit or loss					
— Debt securities		—	24,667,303	—	24,667,303
— Fund investments		—	26,429,513	—	26,429,513
— Trust beneficiary rights	18(a)	—	—	1,739,899	1,739,899
Financial investments at fair value through other comprehensive income					
— Debt securities		—	110,025,485	61,816	110,087,301
— Trust beneficiary rights	18(c)	—	—	29,236	29,236
— Listed equity investment		84,433	—	—	84,433
— Unlisted equity investment		—	69,935	884,837	954,772
Total		84,433	161,628,519	32,029,536	193,742,488
Financial liabilities					
Financial liabilities at fair value through profit or loss		—	27,803	1,297,741	1,325,544
Derivative financial liabilities		—	458,261	—	458,261
Total		—	486,064	1,297,741	1,783,805

43 Financial risk management *(Continued)*

43.4 Fair value of financial assets and liabilities *(Continued)*

(c) *Financial instruments measured at fair value (Continued)*

		As at 31 December 2022			
	Note	Level 1	Level 2	Level 3	Total
Financial assets					
Derivative financial assets		—	340,047	—	340,047
Loans and advances to customers at fair value through other comprehensive income		—	—	28,399,022	28,399,022
Financial investments at fair value through profit or loss					
— Debt securities		—	26,487,871	—	26,487,871
— Fund investments		—	22,278,539	—	22,278,539
— Trust beneficiary rights	18(a)	—	—	3,416,254	3,416,254
Financial investments at fair value through other comprehensive income					
— Debt securities		—	92,345,916	170,404	92,516,320
— Trust beneficiary rights	18(c)	—	—	30,777	30,777
— Listed equity investment		46,634	—	—	46,634
— Unlisted equity investment		—	63,463	585,140	648,603
Total		46,634	141,515,836	32,601,597	174,164,067
Financial liabilities					
Financial liabilities at fair value through profit or loss		—	748,009	1,061,203	1,809,212
Derivative financial liabilities		—	349,317	—	349,317
Total		—	1,097,326	1,061,203	2,158,529

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.

43 Financial risk management *(Continued)*

43.4 Fair value of financial assets and liabilities *(Continued)*

(c) *Financial instruments measured at fair value* (Continued)

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 Planning and 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 2023 and 2022, there were no significant transfers between the fair value levels.

Information about the Level 3 fair value measurement using material unobservable inputs is as follows:

		As at 31 December 2023		
	Note	**Fair value**	**Valuation technique**	**Unobservable inputs Item**
Loans and advances to customers at fair value through other comprehensive income		29,313,748	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Financial investments at fair value through profit or loss				
— Trust beneficiary rights	18(a)	1,739,899	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Financial investments at fair value through other comprehensive income				
— Debt securities		61,816	Discounted cash flow	Risk-adjusted discount rate/Cash flow
— Trust beneficiary rights	18(c)	29,236	Discounted cash flow	Risk-adjusted discount rate/Cash flow
— Unlisted equity investments		884,837	Market approach/ Net assets method	Price to book ratio (P/B)/ Haircuts for low liquidity

43 Financial risk management *(Continued)*

43.4 Fair value of financial assets and liabilities *(Continued)*

(c) *Financial instruments measured at fair value* *(Continued)*

		As at 31 December 2022		
	Note	Fair value	Valuation technique	Unobservable inputs Item
Loans and advances to customers at fair value through other comprehensive income		28,399,022	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Financial investments at fair value through profit or loss				
— Trust beneficiary rights	18(a)	3,416,254	Discounted cash flow	Risk-adjusted discount rate/Cash flow
Financial investments at fair value through other comprehensive income				
— Debt securities		170,404	Discounted cash flow	Risk-adjusted discount rate/Cash flow
— Trust beneficiary rights	18(c)	30,777	Discounted cash flow	Risk-adjusted discount rate/Cash flow
— Unlisted equity investments		585,140	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.

43 Financial risk management *(Continued)*

43.4 Fair value of financial assets and liabilities *(Continued)*

(c) *Financial instruments measured at fair value (Continued)*

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 2023			
	Effect on net profit		**Effect on revaluation reserve**	
	Favourable	**(Unfavourable)**	**Favourable**	**(Unfavourable)**
Loans and advances to customers at fair value through other comprehensive income	**—**	**—**	**94,121**	**(93,099)**
Financial investments at fair value through profit or loss				
— Trust beneficiary rights	**29,250**	**(28,002)**	**—**	**—**
Financial investments at fair value through other comprehensive income				
— Debt securities	**—**	**—**	**1,089**	**(1,057)**
— Trust beneficiary rights	**—**	**—**	**402**	**(392)**
— Unlisted equity investments	**—**	**—**	**6,479**	**(6,479)**

	As at 31 December 2022			
	Effect on net profit		Effect on revaluation reserve	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income	—	—	98,050	(97,021)
Financial investments at fair value through profit or loss				
— Trust beneficiary rights	39,480	(37,507)	—	—
Financial investments at fair value through other comprehensive income				
— Debt securities	—	—	2,518	(2,442)
— Trust beneficiary rights	—	—	429	(419)
— Unlisted equity investments	—	—	5,798	(5,790)

43 Financial risk management *(Continued)*

43.4 Fair value of financial assets and liabilities *(Continued)*

(c) *Financial instruments measured at fair value* *(Continued)*

The movement of Level 3 fair value measurements is as follows:

	Note	1 January 2023	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		31 December 2023	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		28,399,022	–	29,462,311	(28,519,809)	(25,711)	(2,065)	29,313,748	–
Financial investments at fair value through profit or loss									
— Trust beneficiary rights	18(a)	3,416,254	–	–	(1,734,236)	57,881	–	1,739,899	61,185
Sub-total		3,416,254	–	–	(1,734,236)	57,881	–	1,739,899	61,185
Financial investments at fair value through other comprehensive income									
— Debt securities		170,404	–	–	(11,935)	(78,261)	(18,392)	61,816	–
— Trust beneficiary rights	18(c)	30,777	–	–	(25,726)	24,671	(486)	29,236	–
— Unlisted equity investments		585,140	–	–	–	–	299,697	884,837	–
Sub-total		786,321	–	–	(37,661)	(53,590)	280,819	975,889	–
Total		32,601,597	–	29,462,311	(30,291,706)	(21,420)	278,754	32,029,536	61,185

43 Financial risk management *(Continued)*

43.4 Fair value of financial assets and liabilities *(Continued)*

(c) Financial instruments measured at fair value *(Continued)*

	Note	1 January 2022	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		31 December 2022	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		27,858,949	–	28,399,217	(27,950,305)	92,919	(1,758)	28,399,022	–
Financial investments at fair value through profit or loss									
– Trust beneficiary rights	18(a)	4,811,520	–	371,114	(1,827,900)	61,520	–	3,416,254	61,520
Sub-total		4,811,520	–	371,114	(1,827,900)	61,520	–	3,416,254	61,520
Financial investments at fair value through other comprehensive income									
– Debt securities		148,495	–	49,343	(27,434)	–	–	170,404	–
– Trust beneficiary rights	18(c)	28,966	–	–	(116,308)	–	118,119	30,777	–
– Unlisted equity investments		577,551	–	–	–	–	7,589	585,140	–
Sub-total		755,012	–	49,343	(143,742)	–	125,708	786,321	–
Total		33,425,481	–	28,819,674	(29,921,947)	154,439	123,950	32,601,597	61,520

43 Financial risk management *(Continued)*

43.5 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 NAFR, for supervisory purposes. The required information is filed with the NAFR 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 the NAFR 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 2023 and 2022, 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 NAFR 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, the NAFR 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, the NAFR 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.

43 Financial risk management *(Continued)*

43.5 Capital management *(Continued)*

The capital adequacy ratio of 31 December 2023 and 2022 under the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) is as follows:

	As at 31 December	
	2023	2022
Core tier 1 capital	**55,705,955**	52,125,369
Core tier 1 capital deductions	**(566,833)**	(566,056)
Net core tier 1 capital	**55,139,122**	51,559,313
Other tier 1 capital	**140,876**	133,021
Net tier 1 capital	**55,279,998**	51,692,334
Tier 2 capital	**8,874,914**	8,432,236
Net capital	**64,154,912**	60,124,570
Total risk-weighted assets	**404,855,812**	376,335,100
Core tier 1 capital adequacy ratio	**13.62%**	13.70%
Tier 1 capital adequacy ratio	**13.65%**	13.74%
Capital adequacy ratio	**15.85%**	15.98%

44 Events after the reporting period

44.1 Dividend

Upon approval at the Board of Directors on 26 March, 2024, the Bank distributed cash dividend of RMB2.65 (tax inclusive) per ten shares, with a total amount of RMB1,825 million, to shareholders of the Bank, subject to the approval by the shareholders in the annual general meeting.

45 Statement of financial position of the bank

	As at 31 December	
	2023	2022
ASSETS		
Cash and balances with the central bank	**31,832,708**	35,060,737
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	**14,707,099**	12,602,436
Derivative financial assets	**436,283**	340,047
Loans and advances to customers	**314,314,699**	295,647,316
Financial investments	**263,467,436**	229,241,728
— Financial investments at fair value through profit or loss	**48,459,798**	46,075,374
— Financial investments at amortised cost	**117,938,579**	103,106,313
— Financial investments at fair value through other comprehensive income	**97,069,059**	80,060,041
Investment in subsidiaries	**3,735,487**	3,735,487
Investment in associates	**633,467**	480,421
Property and equipment	**1,801,442**	1,915,834
Right-of-use assets	**874,349**	786,565
Deferred tax assets	**4,249,139**	3,619,478
Other assets	**857,960**	1,646,093
Total assets	**636,910,069**	585,076,142
LIABILITIES		
Borrowings from the central bank	**37,346,461**	22,427,782
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	**37,970,653**	42,475,318
Financial liabilities at fair value through profit or loss	**1,325,544**	1,809,212
Derivative financial liabilities	**458,261**	349,317
Deposits from customers	**429,780,636**	399,073,700
Debt securities issued	**71,831,971**	64,104,973
Taxes payable	**290,668**	442,884
Lease liabilities	**407,211**	320,588
Other liabilities	**3,062,834**	3,036,023
Total liabilities	**582,474,239**	534,039,797

45 Statement of financial position of the bank *(Continued)*

	As at 31 December	
	2023	2022
EQUITY		
Share capital	**6,888,546**	6,888,546
Capital reserve	**6,342,779**	6,230,429
Revaluation reserve	**802,086**	581,429
Surplus reserve	**8,829,850**	8,323,435
General reserve	**7,370,899**	6,864,484
Retained earnings	**24,201,670**	22,148,022
Total equity	**54,435,830**	51,036,345
TOTAL LIABILITIES AND EQUITY	**636,910,069**	585,076,142

Approved and authorized for issue by the Board of Directors on 26 March 2024.

Lu Guofeng Chairman	Fu Qiang President	Zhong Guobo Person-in-charge of Accounting	Zhong Xuemei Head of the Accounting Department

46 Comparative figure

To conform with the presentation of the financial statements, the Group made reclassification adjustments to certain figures for comparative period.

47 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2023

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the year ended December 31, 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements "Classification of liabilities as current or non-current"*	January 1, 2024
Amendments to IAS 1, *Presentation of financial statements "Non-current liabilities with covenants"*	January 1, 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	January 1, 2024
Amendments to IFRS 7 and IAS 7, *"Supplier finance arrangements"*	January 1, 2024
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	January 1, 2025
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

APPENDIX: 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, 2023
1	Consolidated total assets	**709,661,095**
2	Consolidated adjustments	**0**
3	Adjustments on client assets	**0**
4	Derivatives adjustments	**164,803**
5	Securities financing transaction adjustments	**557,569**
6	Off-balance sheet item adjustments	**13,872,848**
7	Other adjustments	**(566,833)**
8	Adjusted balance of on-balance and off-balance sheet assets	**723,689,481**

Notes:

(1) The consolidated total assets and off-balance sheet item adjustments are reviewed data on a Group consolidated basis, and others are based on off-site supervision statement of the National Administration of Financial Regulation on a Group consolidated basis.

(2) Adjusted balance of on-and off-balance sheet assets = consolidated total assets + consolidated adjustments + adjustments on client assets + derivatives adjustments + securities financing transaction adjustments + off-balance sheet item adjustments + other adjustments.

Leverage Ratio Level, Net Tier 1 Capital, Adjusted On-Balance and Off-Balance Sheet Assets and Related Details

(Unit: RMB'000)

Item	December 31, 2023
On-balance sheet assets (except derivatives and securities financing transactions)	**707,573,874**
Less: Tier 1 capital deductions	**(566,833)**
Adjusted balance of on-balance sheet assets (excluding derivatives and securities financing transactions)	**707,007,041**
Replacement cost of various derivatives (net of qualifying margin)	**236,359**
Potential exposures of various derivatives	**162,580**
Total collateral been deducted from the balance sheet	**0**
Less: Assets receivable due to provision of qualified margin	**0**
Less: Derivative product asset balance formed from transactions with central counterparties when providing clearing services to clients	**0**
Notional principal for selling credit derivatives	**0**
Less: Deductible balance of sold credit derivatives assets	**0**
Derivative asset balance	**398,939**
Balance of accounting asset for securities financing transactions	**1,853,084**
Less: balance of securities financing transaction assets that can be deducted	**0**
Counterparty credit exposure for securities financing transactions	**557,569**
Asset balance of securities financing transactions formed by agency securities financing transactions	**0**
Asset balance of securities financing transactions	**2,410,654**
Off-balance sheet item balance	**23,878,803**
Less: Balance of off-balance sheet items decreased due to credit conversion	**(10,005,956)**
Adjusted off-balance sheet item balance	**13,872,848**
Net Tier 1 capital	**55,279,997**
Adjusted balance of on-and off-balance sheet assets	**723,689,481**
Leverage ratio	**7.64%**

Notes:

(1) Net Tier 1 capital, Tier 1 capital deductions, off-balance sheet item balance and adjusted off-balance sheet item balance are reviewed data of the Group, on-balance sheet assets (except derivatives and securities financing transactions) are calculated based on the reviewed data of the Group in accordance with relevant regulatory standard, and other items are based on off-site supervision statement of the National Administration of Financial Regulation on a Group consolidated basis.

(2) The leverage ratio is calculated by dividing the net Tier 1 capital by the adjusted balance of on-and off-balance sheet assets.