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Guangzhou Rural Commercial Bank Co., Ltd.*

廣州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: 1551)

MAJOR TRANSACTION AND THE PROPOSED MANDATE

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The Board of Directors hereby announces that on November 13, 2024, the Board of Directors approved the Transaction, pursuant to which the Bank conditionally agreed to transfer the Transferred Assets, and at the same time, the Board of Directors proposed to seek Shareholders' approval for the Proposed Mandate at the EGM and for the Board of Directors to further delegate the power to other relevant persons, jointly or severally, full powers to deal with matters in relation to the Transaction in order to enable the Board of Directors and the authorized persons to transfer the Transferred Assets during the Mandate Validity Period. The details of the Transaction and the Proposed Mandate are subject to the approval at the EGM.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transaction (measured adopting the book value of the creditors' rights of the Transferred Assets) exceeds 25% but is less than 75%, the Transaction constitutes a major transaction of the Bank under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The Bank will hold the EGM for considering and if thought fit, approving, inter alia, the Transaction and the Proposed Mandate. A circular containing, among other things, (i) details of the Transaction and the Proposed Mandate; (ii) the financial information of the Group; and (iii) a notice of the EGM, is expected to be despatched to the H Shareholders of the Bank in the manner in which the H Shareholders of the Bank have elected to receive the corporate communication on or before November 28, 2024, as additional time is required by the Bank for preparation of certain information for inclusion in the circular.

The terms related to the Transaction have yet to be finalized and therefore may be subject to further change. Completion of the potential Major Transaction is subject to Shareholders' approval and the completion of the transaction procedures. The Major Transaction may or may not proceed. Therefore, Shareholders and potential investors are advised to exercise caution when dealing in the Bank's securities. The Bank will make further announcement(s) in compliance with the Listing Rules as and when appropriate or required.

I. INTRODUCTION

On November 13, 2024, the Board of Directors approved the Transaction, pursuant to which the Bank conditionally agreed to transfer the Transferred Assets, and at the same time, the Board of Directors proposed to seek Shareholders' approval for the Proposed Mandate at the EGM and for the Board of Directors to further delegate the power to other relevant persons, jointly or severally, full powers to deal with matters in relation to the Transaction in order to enable the Board of Directors and the authorized persons to transfer the Transferred Assets during the Mandate Validity Period. The details of the Transaction and the Proposed Mandate are subject to the approval at the EGM.

II. MAJOR TRANSACTION

According to the requirements of the Listing Rules and the provisions of the Articles of Association, the Transaction shall be approved by the general meeting. The Transaction shall be conducted in accordance with the principles of fairness, openness and competitive selection. The Asset Transfer Agreement can only be entered into after the completion of the related transfer process and the final determination of the transferee of the Transferred Assets. In order to safeguard the feasibility of the Transaction, the Board hereby seeks the prior approval for the Major Transaction and the Proposed Mandate from the EGM, pursuant to which the Board will be authorized to take necessary actions to conduct the Transaction within the scope of the Proposed Mandate approved by the Shareholders, including but not limited to selecting a qualified purchaser through the transfer such as tendering or bidding, signing specific asset transfer agreements and other relevant legal documents. The Transaction under the Proposed Mandate is subject to relevant applicable laws and regulations, including any applicable transaction regulations in Hong Kong.

Upon approval of the Major Transaction and the Proposed Mandate by the EGM, the Bank expects to complete the Transaction at one time or in batches within the Mandate Validity Period, and the specific date of each transfer transaction will be determined by the Bank at its discretion having regard to the actual situation of the preparation work for the transfer of assets in each batch. The Bank will make further announcement(s) in accordance with Rule 14.36 of the Listing Rules as and when appropriate in relation to the subsequent progress of the Major Transaction and the Proposed Mandate.

III. PROPOSED MANDATE

As there are uncertainties as to the time required for the preparation of asset transfer and the conditions of implementation, in order to facilitate the orderly completion of the transfer of the assets involved in the Major Transaction, and on the basis of the principle that it will be fully conducive to further optimizing the asset structure of the Bank and consolidating its asset quality, and the principle that the interests of the Bank and the Shareholders are protected to the maximum possible extent, the Bank proposes to seek the grant of the Proposed Mandate by the EGM for the completion of the asset transfer within the Mandate Validity Period.

The Board of Directors proposes to the EGM to authorize the Board of Directors and agree that the Board of Directors shall further delegate the power to other relevant persons to deal with, individually or jointly, in their absolute discretion, all matters relating to the Major Transaction under the framework and principles of the Major Transaction as considered and approved by the EGM, including but not limited to, determining and approving the timing of the disposal of the Transferred Assets, the specific size and forms of and arrangements for the disposal, matters relating to the transaction, determination of the final transferee, the entering into of the Asset Transfer Agreement and all other matters relating to the Major Transaction other than matters expressly provided for in the relevant laws and regulations, and the Articles of Association, or subject to re-voting at a general meeting based on the opinion of the relevant competent authorities. Such authorization shall be valid for 12 months from the date of approval by the EGM (i.e. the Mandate Validity Period).

The Directors consider that the prior submission of the Major Transaction and the Proposed Mandate for approval by the EGM will allow for greater flexibility and efficiency for transaction and ensure the smooth implementation of the Transaction, which is also in the interests of the Bank and the Shareholders as a whole.

IV. TRANSFERRED ASSETS

The Transferred Assets are the legally owned debt assets of the Bank, being certain credit assets and other assets held by the Bank. The rights, interests, and obligations related to the Transferred Assets, the right to request, demand, obtain, and accept receivables arising therefrom, the total amount of any debt repayment, and the rights and powers related to the execution and realization of the value of the Transferred Assets shall be transferred from the Bank to the purchaser. As of September 30, 2024, the principal amount of the Transferred Assets amounted to approximately RMB11.861 billion. The interest amount in aggregate was approximately RMB2.672 billion (subject to the signing of specific transfer agreements) while judicial fees disbursed in aggregate were approximately RMB59 million, and debt amount in aggregate was approximately RMB14.592 billion. As of September 30, 2024, taking into account the provision for asset impairment, the book value of the Transferred Assets was approximately RMB10.340 billion.

The net profit (before tax) of the Transferred Assets for the financial years ended December 31, 2022 and December 31, 2023 was RMB124 million and RMB-626 million, respectively, and the net profit (after tax) for the financial years ended December 31, 2022 and December 31, 2023 was RMB93 million and RMB-469 million, respectively.

In accordance with the accounting standards for reporting accounts of the Bank, the book value of the Transferred Assets shall be calculated based on the following formula:

Book Value = Principal Balance + On-balance-sheet Interest Balance – Impairment Allowance

As of September 30, 2024, the Transferred Assets include the principal of loans and advances to customers of RMB11.861 billion, representing approximately 100%, among others, classified by the types of guarantees, the principal of the creditor's rights involving guarantee is RMB0.395 billion, representing approximately 3.33%; the principal of the creditor's rights involving the mortgage and/or pledge of creditor's rights is RMB11.466 billion, representing approximately 96.67%. The main industry distribution of the Transferred Assets includes real estate, wholesale and retail, etc. Classified by types of overdue statuses, the Transferred Assets are RMB0 billion for more than 3 years overdue, RMB1.423 billion for more than one year overdue, representing 12%, and RMB3.841 billion for over 90 days overdue, representing 32.38%. Classified by types of risks, the special mention assets are RMB8.02 billion, representing 67.61%; substandard assets are RMB2.417 billion, representing 20.38%; doubtful assets are RMB0.644 billion, representing 5.43%; and loss assets are RMB0.78 billion, representing 6.58%.

V. CONSIDERATION AND PAYMENT

The final Consideration for the Transferred Assets will depend on the final transaction price. The total Initial Estimated Consideration for the Transferred Assets is expected to be approximately RMB10 billion.

The basis for determining the Consideration of the Transaction shall be determined between the Bank and the purchaser with reference to the following factors: (1) the unaudited book value of the Transferred Assets for the nine months ended September 30, 2024 is approximately RMB10.340 billion, which is calculated by the sum of the balance of the debt principal amount of the Transferred Assets and on-balance-sheet interest balance of the Transferred Assets less the provision for impairment of the Transferred Assets; (2) the liquidity of the Transferred Assets, mainly affected by the cash flow of the debtor and the guarantor and the type and value of the collateral; and (3) prevailing market discount ratio of the Transferred Assets which is determined by taking into account the cash flow of the debtor and the guarantor, the type of collateral corresponding to the assets, the price of the collateral, as well as factors such as market demand, transfer conditions and the time frame for the transfer. The Consideration of the Transaction is expected to be lower than the book value of the Transferred Assets of approximately RMB340 million. The Bank considers that the Initial Estimated Consideration for the Transferred Assets and the manner in which it is determined are fair and reasonable, and are in the interests of the Bank and its Shareholders as a whole.

The Board has fully considered all the factors of the determination of the Consideration as stated above. After taking into account the basis of the Consideration and the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transaction, the Board, to its best knowledge, believes that the Transaction will not constitute a very substantial disposal under Chapter 14 of the Listing Rules. In case that the Transaction becomes a very substantial disposal, the Bank will comply with relevant requirements under Chapter 14 of the Listing Rules.

The Consideration for the Transferred Assets will be paid in cash at one time or in batches by the final transferee to the designated account of the Bank, within the time limit agreed in the Asset Transfer Agreement, in accordance with the Asset Transfer Agreement to be entered into.

The Bank agrees to sell and the final transferee agrees to purchase all rights, interests and benefits under the Transferred Assets from the benchmark date of the actual transfer, including but not limited to:

- (1) all repayments, due or to become due, attributable to each individual asset under the Transferred Assets;
- (2) the rights to demand, claim for, recover, and receive all payable amounts relating to each individual asset under the Transferred Assets (regardless of whether they are payable by the obligor); and
- (3) all rights and legal remedies for giving effect to and the implementation of each individual asset under the Transferred Assets, including but not limited to litigation costs, preservation fees, attorney fees and other expenses paid by the seller.

VI. CONDITIONS PRECEDENT

The conditions precedent of the Transaction include: (i) the approval of the Transaction and the transactions contemplated thereunder and the Proposed Mandate by the Shareholders at the EGM; (ii) the signature (or stamping of signatory's stamp) by the legal representative, responsible person or authorized person of the Bank and the potential purchasers or the stamping of seal; (iii) the approval of the agreement(s) of the Transaction and the transactions contemplated thereunder by the potential purchasers; and (iv) the agreement(s) of the Transaction having been signed and becoming effective upon all necessary approvals required by the parties thereto being obtained in accordance with applicable PRC laws and regulations.

VII. COMPLETION

Completion shall take place on the date which all the conditions to the Asset Transfer Agreement and the relevant specific Asset Transfer Agreement have been fulfilled or waived or such other date as the parties may agree in writing.

VIII. FINANCIAL EFFECT OF THE TRANSACTION ON THE BANK

According to the relevant requirements of the International Financial Reporting Standards, the Consideration of the Transaction will inflow in cash, and the deposit of the Bank at central bank will increase. The accrued principal and interest of the Transferred Assets will be reduced accordingly based on the Consideration of the Transaction. The expected gain/loss of the Transaction will be calculated based on the Consideration of the Transaction and the book value of the Transferred Assets. The Initial Estimated Consideration receivable by the Bank is expected to be approximately RMB10 billion under the Transaction, and the loss before tax of the Transaction is expected to be approximately RMB340 million. The actual amount will be reflected in the financial statements in the results announcement of the Bank for the corresponding accounting period. The above-mentioned estimation may be different from the actual financial effect of the Transaction.

IX. USE OF PROCEEDS

The proceeds from the Transaction, estimated to be approximately RMB10 billion, are intended to be used for the general working capital of the Bank. The transfer of the Transferred Assets will effectively reduce the non-performing loan ratio and provision amount and improve the efficiency level. The Bank will use the proceeds based on its actual business needs.

X. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Bank will further enhance the level of refined management, optimize the asset structure and improve the asset quality. Upon completion of the Transaction, the ownership of the Transferred Assets will be transferred from the Bank to the purchasers and the Bank will receive the corresponding cash consideration. The risks of the Transferred Assets are classified as special mention, substandard, doubtful and loss assets. After the relevant assets are removed from the balance sheet, the scale of the Bank's risk assets will be reduced. The Transaction will effectively enhance the risk-resilience capability of the Bank, improve operating efficiency and profitability, and optimize the Bank's business structure and assets quality, laying a foundation for achieving overall operation stability and long-term development.

Therefore, the Directors (including the independent non-executive Directors) believe that the Transaction is entered into on normal commercial terms in the ordinary and usual course of business of the Bank, which are fair and reasonable, and are in the interests of the Bank and its Shareholders as a whole.

XI. INFORMATION ON THE PARTIES

(1) Information relating to the Bank

The Bank is a joint stock company incorporated in the PRC with limited liability on December 9, 2009, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1551). The Bank is principally engaged in corporate banking, retail banking and financial markets business in the PRC.

(2) Information relating to the Purchaser

As of the date of this announcement, the purchaser has not yet been determined. The purchaser will be determined in accordance with the PRC laws and regulations, and the Bank will disclose the information relating to the purchaser in accordance with the Listing Rules once the purchaser is determined. In the case that the purchaser is a connected person of the Bank, the Bank will also comply with Chapter 14A of the Listing Rules.

XII. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transaction (measured adopting the book value of the creditors' rights of the Transferred Assets) exceeds 25% but is less than 75%, the Transaction constitutes a major transaction of the Bank under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as none of the existing Shareholders has any material interest in the Transaction and the Proposed Mandate, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM to approve the Transaction and the Proposed Mandate.

XIII. EGM

The Bank will hold the EGM for considering and if thought fit, approving, inter alia, the Transaction and the Proposed Mandate. A circular containing, among other things, (i) details of the Transaction and the Proposed Mandate; (ii) the financial information of the Group; and (iii) a notice of the EGM, is expected to be despatched to the H Shareholders of the Bank in the manner in which the H Shareholders of the Bank have elected to receive the corporate communication on or before November 28, 2024, as additional time is required by the Bank for preparation of certain information for inclusion in the circular.

The terms related to the Transaction have yet to be finalized and therefore may be subject to further change. Completion of the potential Major Transaction is subject to Shareholders' approval and the completion of the transaction procedures. The Major Transaction may or may not proceed. Therefore, Shareholders and potential investors are advised to exercise caution when dealing in the Bank's securities. The Bank will make further announcement(s) in compliance with the Listing Rules as and when appropriate or required.

DEFINITIONS

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

“Articles of Association”	the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd. (as amended, supplemented or otherwise revised from time to time)
“Asset Transfer Agreement(s)”	the asset transfer agreement(s) proposed to be entered into between the Bank and the final transferee(s) in relation to the Major Transaction for the disposal of the Transferred Assets at one time or in batches
“Bank”	Guangzhou Rural Commercial Bank Co., Ltd.
“Board” or “Board of Directors”	the board of directors of the Bank
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration to be paid by the potential transferee(s) to the Bank in relation to the Major Transaction
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	the ordinary shares with a nominal value of RMB1.00 each issued by the Bank in the PRC
“EGM”	the 2024 first extraordinary general meeting or any adjournment thereof to be held by the Bank to consider and approve, among other things, the Major Transaction and the Proposed Mandate

“Group”	Guangzhou Rural Commercial Bank Co., Ltd. and its subsidiaries
“H Shares”	the foreign shares issued by the Bank which are registered in Mainland China and listed in Hong Kong
“HK\$”, “HKD”	the lawful currency of Hong Kong Region
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Initial Estimated Consideration”	details of the definition of the Initial Estimated Consideration are set out in the description under the heading “Consideration and Payment” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Major Transaction” or “Transaction”	related transactions contemplated under the Bank’s transfer of the Transferred Assets
“Mandate Validity Period”	12 months from the date of approval of the Major Transaction and the Proposed Mandate by the EGM
“Ministry of Finance”	the Ministry of Finance of the People’s Republic of China
“PRC” or “China”	the People’s Republic of China
“Proposed Mandate”	a general mandate proposed to be granted to the Board (or its delegates) by the Shareholders at the EGM to proceed with and complete the Major Transaction, with a validity period of 12 months from the date of approval by the EGM
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the Domestic Shares and H Shares

“Transferred Assets” the assets to be sold by the Bank in batches under the Asset Transfer Agreement (details are set out in the description under the heading “Transferred Assets” in this announcement), namely certain credit assets and other assets held by the Bank

“%” percent

By Order of the Board
Guangzhou Rural Commercial Bank Co., Ltd.*
Cai Jian
Chairman

Guangzhou, the PRC
November 13, 2024

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Cai Jian and Ms. Deng Xiaoyun; seven non-executive directors, namely Mr. Ni Kai, Mr. Wang Xiaobin, Mr. Zuo Liang, Mr. Zhang Yan, Ms. Xing Qiuyu, Mr. Hu Geyou and Mr. Feng Yaoliang; and five independent non-executive directors, namely Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Zheng Guojian, Mr. Zhang Hua and Mr. Ma Hok Ming.

* *Guangzhou 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.*