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Postal Savings Bank of China Co., Ltd.
中國郵政儲蓄銀行股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 1658)

**PROPOSED NON-PUBLIC ISSUANCE OF
OFFSHORE PREFERENCE SHARES AND
PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION AND THE RULES OF PROCEDURES OF
SHAREHOLDERS' GENERAL MEETING**

**PROPOSED NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE
SHARES**

The Board hereby announces that, on March 24, 2017, the Board considered and approved the proposed issuance plan of the Offshore Preference Shares, pursuant to which the Bank shall conduct a non-public issuance of not more than 500 million Offshore Preference Shares (inclusive) to raise total proceeds not exceeding RMB50 billion or its equivalent (inclusive) to replenish the Bank's Additional Tier 1 Capital.

The issuance of the Offshore Preference Shares will be conducted by way of a private placement in accordance with the relevant rules on issuance, and the Offshore Preference Shares will be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities and will not be issued within 6 months after the date of listing of the Bank on the Stock Exchange. The listing/trading arrangements for the Offshore Preference Shares will be set out in the issuance documents. The Bank shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares of the Bank on the occurrence of certain trigger events as prescribed in the Offshore Issuance Plan.

The issuance of the Offshore Preference Shares is still subject to certain conditions including, among other things, (i) the passing of the proposal regarding the issuance of the Offshore Preference Shares by the Domestic Shareholders at the First Domestic Shareholders' Class Meeting of 2017, by the H Shareholders at the First H Shareholders' Class Meeting of 2017 and by the Shareholders at the AGM, in each case, as a special resolution; and (ii) the approval by or filing with relevant regulatory authorities regarding the proposed issuance of the Offshore Preference Shares.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE RULES OF PROCEDURES OF SHAREHOLDERS' GENERAL MEETING

In connection with the proposed non-public issuance of the Offshore Preference Shares and in order to satisfy the relevant corporate governance and operation requirements following the issuance and listing of the Offshore Preference Shares, the Bank has proposed certain amendments to the current Articles and the Rules of Procedures of Shareholders' General Meeting, in accordance with the requirements of the State Council Guidance Opinion, the Joint Guidance Opinion, the Listing Rule and other relevant laws, regulations and regulatory documents, with reference to the Administrative Measures on Preference Shares, and taking into account the actual situation of the Bank. Details of the proposed amendments to the Articles and the Rules of Procedures of Shareholders' General Meeting will be set out in the circular to be dispatched to the Shareholders in relation to such proposal.

The resolution of the proposed amendments to the Articles will be submitted for passing by the Shareholders at the AGM as a special resolution. Upon approval at the AGM, the proposed amendments to the Articles are still subject to approval by the CBRC and shall be effective from the date of approval by the CBRC.

In connection with the proposed amendments to the Articles, the Bank will also propose corresponding amendments to the Rules of Procedures of Shareholders' General Meeting of the Bank at the AGM.

Shareholders and potential investors should be aware that the proposed issuance of the Offshore Preference Shares is still subject to all necessary approvals being obtained and various other factors including market conditions, and consequently the proposed issuance of the Offshore Preference Shares may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

I. PROPOSED NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES

In order to enhance the overall competitiveness of the Bank, improve the capital structure and to achieve sustainable development of the Bank, the Bank plans to conduct a non-public issuance of not more than 500 million Offshore Preference Shares (inclusive) to raise total proceeds not exceeding RMB50 billion or its equivalent (inclusive) to replenish the Bank's Additional Tier 1 Capital.

In accordance with the relevant requirements of the State Council Guidance Opinion, the Capital Administrative Measures, the Joint Guidance Opinion, the Listing Rules and other laws, regulations and regulatory documents, and with reference to the Administrative Measures on Preference Shares, the Bank formulated the Offshore Issuance Plan.

The issuance of the Offshore Preference Shares will be conducted by way of a private placement in accordance with the relevant rules on issuance, and the Offshore Preference Shares will be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities and will not be issued within 6 months after the date of listing of the Bank on the Stock Exchange. The listing/trading arrangements for the Offshore Preference Shares will be set out in the issuance documents. The Bank shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares of the Bank on the occurrence of certain trigger events as prescribed in the Offshore Issuance Plan.

The issuance of the Offshore Preference Shares is still subject to certain conditions including, among other things, (i) the passing of the proposal regarding the issuance of the Offshore Preference Shares by the Domestic Shareholders at the First Domestic Shareholders' Class Meeting of 2017, by the H Shareholders at the First H Shareholders' Class Meeting of 2017 and by the Shareholders at the AGM, in each case, as a special resolution; and (ii) the approval by or filing with relevant regulatory authorities regarding the proposed issuance of the Offshore Preference Shares.

On March 24, 2017, the Board considered and approved the Offshore Issuance Plan, and resolved to submit the Offshore Issuance Plan to the First Domestic Shareholders' Class Meeting of 2017, the First H Shareholders' Class Meeting of 2017 and the AGM for consideration, respectively. The Board also resolved to delegate the authority to the Chairman and the President, to individually or jointly make necessary adjustments to the Offshore Issuance Plan to be submitted to the shareholders' general meeting based on opinions and suggestions of the Stock Exchange and relevant regulatory authorities.

For details of the Offshore Issuance Plan, please refer to Appendix I to this announcement.

II. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND THE RULES OF PROCEDURES OF SHAREHOLDERS' GENERAL MEETING

In connection with the proposed non-public issuance of the Offshore Preference Shares and in order to satisfy the relevant corporate governance and operation requirements following the issuance and listing of the Offshore Preference Shares, the Bank has proposed certain amendments to the current Articles and the Rules of Procedures of Shareholders' General Meeting, in accordance with the requirements of the State Council Guidance Opinion, the Joint Guidance Opinion, the Listing Rules and other relevant laws, regulations and regulatory documents, with reference to the Administrative Measures on Preference Shares, and taking into account the actual situation of the Bank. Details of the proposed amendments to the Articles and the Rules of Procedures of Shareholders' General Meeting will be set out in the circular to be dispatched to the Shareholders in relation to such proposal.

The resolution of the proposed amendments to the Articles will be submitted for passing by the Shareholders at the AGM as a special resolution. Upon approval at the AGM, the proposed amendments to the Articles are still subject to approval by the CBRC and shall be effective from the date of approval by the CBRC.

In connection with the proposed amendments to the Articles, the Bank will also propose corresponding amendments to the Rules of Procedures of Shareholders' General Meeting of the Bank at the AGM.

III. DISPATCH OF CIRCULAR

Special resolutions will be proposed to approve the proposed issuance of the Offshore Preference Shares at the First Domestic Shareholders' Class Meeting of 2017, the First H Shareholders' Class Meeting of 2017 and the AGM, respectively. A special resolution will be proposed to approve the proposed amendments to the Articles and an ordinary resolution will be proposed to approve the proposed amendments to the Rules of Procedures of Shareholders' General Meeting at the AGM.

A circular containing, among other things, information on the proposed issuance of the Offshore Preference Shares and the proposed amendments to the Articles, and the proposed amendments to the Rules of Procedures of Shareholders' General Meeting is expected to be dispatched to the Shareholders in due time.

Shareholders and potential investors should be aware that the proposed issuance of the Offshore Preference Shares is still subject to all necessary approvals being obtained and various other factors including market conditions, and consequently the proposed issuance of the Offshore Preference Shares may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

IV. DEFINITIONS

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

“Additional Tier 1 Capital”	has the meaning given to it in the Capital Administrative Measures
“Administrative measures on Preference Shares”	Trial Administrative Measures on Preference Shares issued by the CSRC on March 21, 2014
“AGM”	the 2016 annual general meeting of the Bank to consider and approve, among other things, the proposed issuance of Offshore Preference Shares and the amendments to the Articles and the Rules of Procedures of Shareholders’ General Meeting
“Articles”	the articles of association of the Bank, as amended from time to time
“Bank”	Postal Savings Bank of China Co., Ltd. (中國郵政儲蓄銀行股份有限公司), a joint stock limited liability company incorporated in the PRC and whose H Shares are listed on the Stock Exchange (Stock Code: 1658)
“Board”	the board of Directors of the Bank
“Capital Administrative Measures”	the Administrative Measures for the Capital of Commercial Banks (Provisional) promulgated by the CBRC on June 7, 2012 and effective on January 1, 2013
“CBRC”	China Banking Regulatory Commission of the PRC
“CSRC”	China Securities Regulatory Commission of the PRC
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
“Domestic Shareholder(s)”	holder(s) of Domestic Shares

“First Domestic Shareholders’ Class Meeting of 2017”	the first class meeting of Domestic Shareholders for 2017 held on the date of the AGM, at which the Domestic Shareholders will consider and approve the proposed issuance of the Offshore Preference Shares
“First H Shareholders’ Class Meeting of 2017”	the first class meeting of H Shareholders for 2017 held on the date of the AGM, at which H Shareholders will consider and approve the proposed issuance of the Offshore Preference Shares
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Guidance Opinion”	the Guidance Opinion on Issuance of Preference Shares by Commercial Banks for Replenishing Tier 1 Capital jointly issued by the CBRC and the CSRC on April 3, 2014
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offshore Issuance Plan”	the Plan for Non-public Issuance of Offshore Preference Shares by Postal Savings Bank of China Co., Ltd. as set out in Appendix I to this announcement
“Offshore Preference Share(s)”	the offshore preference shares of an aggregate number of not more than 500 million (inclusive) to raise total proceeds not exceeding RMB50 billion or its equivalent (inclusive), proposed to be issued non-publicly by the Bank in the offshore market pursuant to the Offshore Issuance Plan
“Offshore Preference Shareholder(s)”	holder(s) of Offshore Preference Shares
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan region
“RMB”	Renminbi, the lawful currency of the PRC

“Rules of Procedures of Shareholders’ General Meeting”	Rules of Procedures of Shareholders’ General Meeting of Postal Savings Bank of China Co., Ltd.
“Share(s)” or “ordinary share(s)”	the Domestic Share(s) and the H Share(s) of the Bank
“Shareholder(s)” or “ordinary shareholder(s)”	holder(s) of Shares
“State Council Guidance Opinion”	the Guidance Opinion on the Launch of Preference Shares Pilot Scheme issued by the State Council on November 30, 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Postal Savings Bank of China Co., Ltd.
Du Chunye
Joint Company Secretary

Beijing, China
March 24, 2017

As at the date of this announcement, the Board comprises Mr. Li Guohua as Chairman and non-executive Director; Mr. Lyu Jiajin, Mr. Zhang Xuwen and Ms. Yao Hong as executive Directors; Mr. Tang Jian and Mr. Chin Hung I David as non-executive Directors; Mr. Ma Weihua, Ms. Bi Zhonghua, Mr. Fu Tingmei and Mr. Gan Peizhong as independent non-executive Directors.

* *Postal Savings Bank of China 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.*

Appendix I Offshore Issuance Plan

The Offshore Issuance Plan is written in Chinese, with no official English translation. The English translation is provided for reference only. In case of any discrepancy between the two versions, the Chinese version shall prevail. The full version of the Offshore Issuance Plan is as follows:

PLAN FOR NON-PUBLIC ISSUANCE OF OFFSHORE PREFERENCE SHARES BY POSTAL SAVINGS BANK OF CHINA CO., LTD.

1 Type of preference shares to be issued

The type of Offshore Preference Shares to be issued will be preference shares (hereinafter referred to as “**Offshore Preference Shares**”) that comply with the requirements of the laws, regulations and regulatory documents of the PRC and overseas.

2 Number of preference shares to be issued and issue size

The aggregate number of Offshore Preference Shares to be issued will be not more than 500 million (inclusive), with an aggregate amount to be issued not exceeding RMB50 billion or its equivalent (inclusive). The actual issue size and amount are to be determined by the Board within the abovementioned limit, in accordance with the authorization given by the shareholders’ general meeting.

3 Par value and issue price

The par value of the Offshore Preference Shares will be RMB100 per Offshore Preference Share. The Offshore Preference Shares will be issued at or above the par value. The actual currency and issue price will be determined by the Board prior to issuance with reference to market conditions and in accordance with relevant laws, regulations and market practice and the authorization given by the shareholders’ general meeting.

4 Maturity

The Offshore Preference Shares will not have any maturity date.

5 Method of issuance and target investors

The issuance of Offshore Preference Shares will be conducted by way of a private placement in accordance with the relevant rules on issuance and the Offshore Preference Shares shall, after being approved by regulatory authorities, be issued in a single or multiple series in accordance with the relevant procedures. If the Offshore Preference Shares are to be issued in multiple series, no separate approval shall be required to be obtained from existing preference shareholders of the Bank for each such issuance.

Each series of Offshore Preference Shares will be offered to no more than 200 qualified offshore investors who comply with the requirements under relevant regulatory rules and other laws and regulations. All target investors shall subscribe the Offshore Preference Shares in cash.

6 Lock-up period

There will be no lock-up period for the Offshore Preference Shares.

7 Dividend Distribution Terms

(1) Principles for determining the dividend rate

The proposed dividend rate for the Offshore Preference Shares (such dividend rate will be calculated by reference to the issue price of the Offshore Preference Shares, similarly construed hereinafter) may be adjusted at different intervals. The dividend rate at the time of issuance shall be determined by the Board by way of market pricing, in accordance with the authorization given by the shareholders' general meeting with reference to other factors including relevant laws and regulations, market conditions at the time of issuance, Investors' needs and the actual circumstances of the Bank. In any dividend rate adjustment period, dividends on the Offshore Preference Shares will be paid at the same prescribed dividend rate and will be reset at specified intervals thereafter.

The dividend rate consists of the benchmark interest rate and the fixed spread. The fixed spread will be determined by deducting the benchmark interest rate at the time of pricing for issuance from the dividend rate at the time of issuance and will remain unchanged once determined. On each of the reset date of dividends, the new dividend rate for the next dividend rate adjustment period will be determined, and will equal to the sum of the benchmark interest rate as at such reset date of dividends and the fixed spread as determined at the time of pricing for issuance.

The dividend rate will not be higher than the weighted average return on equity of the Bank for the last two financial years before issuance¹.

1 As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the ordinary shareholders of the Bank.

(2) Conditions to distribution of dividends

If the Bank has distributable after-tax profit² after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the Offshore Preference Shareholders in accordance with the Articles of the Bank, provided that the capital adequacy ratio of the Bank meets the regulatory requirements. The Offshore Preference Shareholders shall rank in priority to the ordinary shares in terms of dividend distribution. Distribution of dividends will not be affected by the rating of the Bank and will not be adjusted as a result of any change to such rating.

In order to meet the regulatory requirements for the eligibility criteria for Additional Tier 1 Capital instruments, the Bank shall have the right to cancel dividend payments on the Offshore Preference Shares in whole or in part at its discretion and this will not constitute an event of default. The Bank, at its discretion, may use any dividend so cancelled to repay other debts that are due. The cancellation of any dividend payment on the Offshore Preference Shares will only constitute a restriction on the payment of dividend to the ordinary shareholders and will not constitute any other restrictions on the Bank. Any declaration and payment of all of the dividends on the Offshore Preference Shares by the Bank will be determined by the Board in accordance with the authorization given by the shareholders' general meeting. Any cancellation of all or part of the dividends on the Offshore Preference Shares shall be subject to the consideration and approval by the shareholders' general meeting. Any cancellation by the Bank of any dividends on the Offshore Preference Shares shall be notified to Offshore Preference Shareholders at least ten working days prior to the dividend payment date.

If the Bank cancels all or part of the distribution of dividends on the Offshore Preference Shares, the Bank shall not distribute any profits to the ordinary shareholders from the next day following the resolution being approved at the shareholders' general meeting until the resumption of payment of dividends in full³.

(3) Method of dividend payment

Dividends on the Offshore Preference Shares shall be payable in cash. The dividend bearing principal amount of the Offshore Preference Shares shall be the aggregate value of the relevant series of Offshore Preference Shares then issued and outstanding (namely, the product of the issue price of the relevant series of the Offshore Preference Shares and the number of shares under the relevant series of Offshore Preference Shares then issued and outstanding, similarly construed hereinafter). Dividends on the Offshore Preference Shares shall be paid annually, and will accrue from the due date for payment for the issuance of the relevant series of Offshore Preference Shares.

2 Distributable after-tax profit is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with Chinese Accounting Standards or International Financial Reporting Standards, whichever amount is lower.

3 Resumption of payment of dividends in full means that the Bank decides to resume payment of dividends in full to the Offshore Preference Shareholders. However, as the Offshore Preference Shares have adopted a non-cumulative dividend approach, the Bank will not pay any dividends which have been cancelled in previous years.

(4) Dividend accumulation

The dividends on the Offshore Preference Shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the Offshore Preference Shares, any amount of dividends not paid to the Offshore Preference Shareholders in full in the current period will not be accumulated to the following dividend years).

(5) Distribution of residual profits

After receiving the dividends at the prescribed dividend rate, the Offshore Preference Shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

8 Terms of mandatory conversion

(1) Mandatory conversion trigger events

- (i) Upon the occurrence of an Additional Tier 1 Capital Trigger Event (namely, the Core Tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the Offshore Preference Shareholders, all or part of the Offshore Preference Shares then issued and outstanding into H Shares based on the aggregate value of such Offshore Preference Shares in order to restore the Core Tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the Offshore Preference Shares shall be converted ratably and on the same conditions. Upon conversion of the Offshore Preference Shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.
- (ii) Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank shall have the right to convert, without the approval of the Offshore Preference Shareholders, all of the Offshore Preference Shares then issued and outstanding into H Shares based on the aggregate value of such Offshore Preference Shares. Upon conversion of the Offshore Preference Shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A Tier 2 Capital Trigger Event means the earlier of the following events: (a) the China Banking Regulatory Commission having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (b) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion trigger events, the Bank shall report to the China Banking Regulatory Commission for review and determination and shall fulfil its relevant information disclosure obligations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

(2) Mandatory conversion period

The mandatory conversion period of the Offshore Preference Shares commences on the first trading day immediately following the completion date of issuance of the Offshore Preference Shares and ends on the date of redemption or conversion of all the Offshore Preference Shares.

(3) Mandatory conversion price and method of adjustments of the mandatory conversion price

The initial mandatory conversion price of the Offshore Preference Shares will be equal to the average trading price of H Shares of the Bank for the 20 trading days preceding the announcement date of the Board resolution approving the proposed issuance of the Offshore Preference Shares.

Average trading price of H Shares of the Bank for the 20 preceding trading days = the total trading amount of H Shares of the Bank in such 20 trading days/the total trading volume of H Shares of the Bank in such 20 trading days, which equals to HKD4.83 per share.

From the date of announcement of the Board resolution approving the Offshore Preference Share issuance plan, in the event that the Bank, among other things, distributes bonus shares with respect to its H Shares, makes capitalisation issues with respect to its H Shares, issues new H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into ordinary shares) or makes any rights issues with respect to its H Shares, after the date the Board approves the Offshore Preference Share issuance plan, the Bank will adjust the mandatory conversion price to reflect the above events on a cumulative basis and in the order of the occurrence of such events. The distribution of cash dividends to the ordinary shareholders will not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus share issuance or capitalisation issue: $P1 = P0 \times N/(N + n)$;

Issuance of new H Shares below the market price of the H Shares or by way of a rights issue: $P1 = P0 \times (N + k)/(N + n)$; $k = n \times A/M$

Where, “P0” denotes the effective mandatory conversion price before adjustment; “P1” denotes the effective mandatory conversion price after adjustment; “N” denotes the aggregate number of H Shares before such bonus share issuance, capitalisation issue, issuance of new H Shares below the market price of the H Shares or rights issue; “n” denotes the number of new H Shares issued as a result of such bonus share issuance, capitalisation issue, issuance of new H Shares below the market price of the H Shares or rights issue; “A” denotes the price for such issuance of new H Shares below the market price of the H Shares or rights issue; and “M” denotes the closing price of H Shares on the trading day preceding the date of announcement of such issuance of new H Shares below the market price of the H Shares or rights issue (namely, announcement containing the effective and irrevocable terms of such issuance or rights issue).

In the event that the rights and interests of the Offshore Preference Shareholders may be affected by any redemption of the ordinary shares by, or merger or division of, the Bank or any other circumstance which causes changes in the Bank's share class, number of shares and/or shareholders' equity, the Bank shall have the right to adjust the mandatory conversion price based on the actual circumstances and in accordance with the principles of fairness, justice and equity as well as to fully protect the rights and interests of the Offshore Preference Shareholders and the ordinary shareholders. The adjustment mechanism for the mandatory conversion price in those circumstances will be determined in accordance with the relevant regulations.

(4) Principles for determining the ratio and number for mandatory conversion

Upon the occurrence of a trigger event, the Board will, in accordance with the approval of the China Banking Regulatory Commission and the authorization given by the shareholders' general meeting, confirm the aggregate amount of the Offshore Preference Shares for mandatory conversion and implement mandatory conversion of the Offshore Preference Shares then issued and outstanding in whole or in part, and the formula for determining the number of shares to be converted shall be: $Q = V/P \times \text{conversion exchange rate}$. Any fractional share will be dealt with by the Bank in accordance with relevant regulatory requirements. Where it is not specified in the regulatory requirements, any fractional share will be rounded down to the nearest integral multiple of one share. Where: "Q" denotes the number of H Shares that shall be converted from the Offshore Preference Shares held by each Offshore Preference Shareholder; "V" denotes the amount equal to the number of the Offshore Preference Shares held by each Offshore Preference Shareholder that is subject to mandatory conversion multiplied by its issue price; "P" denotes the effective mandatory conversion price for the Offshore Preference Shares; and the "conversion exchange rate" refers to the cross rate between Hong Kong dollars and the currency in which the Offshore Preference Shares of the relevant series are denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading day preceding the date of announcement of the Board resolution approving the Offshore Preference Share issuance plan.

Upon the occurrence of a trigger event, the Offshore Preference Shares then issued and outstanding will be converted into corresponding number of H Shares of the Bank based on the above formula in whole or in part on a ratable basis.

(5) Entitlement to dividends on ordinary shares in the year of mandatory conversion

The H Shares to be issued as a result of the mandatory conversion of the Offshore Preference Shares will rank pari passu with the existing issued H Shares, and all ordinary shareholders whose names appear on the register of members of the Bank on the record date for dividend entitlement (including the holders of H Shares as a result of the mandatory conversion of the Offshore Preference Shares) shall be entitled to receive the dividend for the current dividend period and enjoy the same rights.

9 Terms of conditional redemption

(1) Redemption right

The Bank shall have the right to redeem the Offshore Preference Shares subject to obtaining the approval of the China Banking Regulatory Commission. The Offshore Preference Shareholders do not have the right to require the Bank to redeem the Offshore Preference Shares and should not expect that the Offshore Preference Shares will be redeemed. The Offshore Preference Shares will not contain any term allowing investors to put back the Offshore Preference Shares to the Bank and the Offshore Preference Shareholders shall not have any right to require the Bank to repurchase the Offshore Preference Shares held by them.

(2) Redemption conditions and period

From the fifth year following the completion date of issuance of the Offshore Preference Shares, and subject to obtaining the approval of the China Banking Regulatory Commission and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the Offshore Preference Shares. The specific commencement date of redemption period shall be finally determined by the Board (as authorized by the shareholders' general meeting) in accordance with market conditions. The redemption period starts from the date of redemption and ends on the date of the completion of redemption or conversion of all the Offshore Preference Shares.

The exercise by the Bank of its right to redeem the Offshore Preference Shares shall be subject to the fulfilment of the following conditions:

- (i) the Bank shall use capital instruments of the same or superior quality to replace the Offshore Preference Shares to be redeemed and such replacement shall only be made at a time at which the Bank has a sustainable income generating capability; or
- (ii) the capital position of the Bank immediately after redemption of the Offshore Preference Shares will remain significantly higher than the regulatory capital requirements prescribed by the China Banking Regulatory Commission.

(3) Redemption price and basis for determining the redemption price

The redemption price of the Offshore Preference Shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

10 Restrictions on voting rights and terms of restoration of voting rights

(1) Restrictions on voting rights

Under normal circumstances, the Offshore Preference Shareholders are not entitled to convene or attend any shareholders' general meetings of the Bank nor do the Offshore Preference Shares carry voting rights in any shareholders' general meeting. If any of the following matters occurs, the Offshore Preference Shareholders will be entitled to attend shareholders' general meetings and vote as a separate class. Under such circumstance, each Offshore Preference Share will be entitled to one vote, but the Offshore Preference Shares held by the Bank do not entitle the Bank to vote:

- (i) amendments to the Articles of the Bank that relate to preference shares;
- (ii) reduction of the registered capital of the Bank by more than 10% on a single or aggregate basis;
- (iii) merger, division, dissolution or change of corporate form of the Bank;
- (iv) issuance of preference shares by the Bank; or
- (v) other events specified in the laws, administrative rules and departmental regulations and the Articles.

Resolutions relating to the above matters shall be approved by more than two thirds of the votes held by the ordinary shareholders present at the meeting (including preference shareholders with restored voting rights) and by more than two thirds of the votes held by the preference shareholders present at the meeting (excluding preference shareholders with restored voting rights).

(2) Terms of restoration of voting rights

Following the issuance of the Offshore Preference Shares by the Bank and so long as such Offshore Preference Shares remain outstanding, if the Bank fails to pay the prescribed dividend to the Offshore Preference Shareholders for three financial years in aggregate or two consecutive financial years, the Offshore Preference Shareholders will have the right to attend and vote at the shareholders' general meetings together with ordinary shareholders from the day immediately after the shareholders' general meeting resolves that the Bank will not pay the prescribed dividend for the current dividend period, and each preference share will be entitled to the voting rights as provided in the Articles of the Bank. The formula for calculating the voting rights of the Offshore Preference Shares with restored voting rights is as follows: $Q = V/P \times \text{conversion exchange rate}$, with any fractional restored voting right rounded down to the nearest integral multiple of one share.

Where: “Q” denotes the H Share voting rights restored from the Offshore Preference Shares held by each Offshore Preference Shareholder; “V” denotes the aggregate value of the Offshore Preference Shares with restored voting rights held by each Offshore Preference Shareholder; “P” denotes the conversion price, where the initial conversion price is equal to the initial mandatory conversion price; and the “conversion exchange rate” refers to the cross rate between Hong Kong dollar and the currency in which the Offshore Preference Shares of the relevant series are denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading date preceding the date of announcement of the Board resolution approving the Offshore Preference Share issuance plan.

From the date of the Board approving the Offshore Preference Share issuance plan, in the event that the Bank, among other things, distributes bonus shares with respect to its H Shares, make capitalisation issues with respect to its H Shares, issues new H Shares below the market price of the H Shares (excluding any increase of share capital due to conversion of financial instruments convertible to ordinary shares issued by the Bank), or makes any rights issue with respect to its H Shares, the Bank will adjust the conversion price “P” to reflect each of such events on a cumulative basis in the order of the occurrence of such events. The detailed adjustment method shall be consistent with the adjustment method applicable to the mandatory conversion price as specified in “(3) Mandatory conversion price and method of adjustments of the mandatory conversion price” under “8. Terms of mandatory conversion”.

(3) Cancellation of restoration of voting rights

After such restoration of the voting rights of the Offshore Preference Shares, such restored voting rights shall be cancelled from the date of full payment of the dividend on the Offshore Preference Shares for the current dividend period. After the cancellation of the restored voting rights, if the Bank fails to make any scheduled dividend payment, then “(2) Terms of restoration of voting rights” above shall apply again.

11 Order of distribution on liquidation and procedures for liquidation

In accordance with the Articles of the Bank, when the Bank is undergoing liquidation, the residual assets of the Bank will be distributed in the following order of priority:

- (1) to pay the liquidation costs;
- (2) to pay employees’ salaries, social insurance and statutory compensation;
- (3) to pay the principal and interest of personal savings deposits;
- (4) to pay taxes in arrears; and
- (5) to settle other debts of the Bank;

The assets of the Bank shall not be distributed to the shareholders before the abovementioned payments; the residual assets of the Bank after the settlement of debts in accordance with the provisions of the preceding paragraph shall be distributed to shareholders according to the type of shares and in proportion to their shareholdings.

In case of liquidation of the Bank due to reasons including dissolution and bankruptcy, the Offshore Preference Shareholders shall rank *pari passu* with the holders of other preference shares that may be issued by the Bank in the future, and shall take precedence over holders of ordinary shares but subsequent to all creditors of debts (including Tier 2 Capital instrument) of the Bank, in distribution of the residual property of the Bank. The Offshore Preference Shareholders will be entitled to an amount on liquidation equal to the aggregate value of the Offshore Preference Shares then issued and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient residual assets, the distribution will be made ratably according to the aggregate value of the Offshore Preference Shares held by each Offshore Preference Shareholder as a proportion of the aggregate value of all preference shares.

The remaining assets of the Bank after settlement in accordance with the provisions aforesaid shall be distributed to the ordinary shareholders of the Bank in proportion to the shareholding of ordinary shares held by them.

12 Rating arrangements

The detailed rating arrangements for the Offshore Preference Shares will be determined according to relevant laws and regulations and relevant offshore market conditions for issuance.

13 Security

The Offshore Preference Shares will not have any security arrangements.

14 Use of proceeds

The proceeds from the issuance of the Offshore Preference Shares, after deduction of the expenses relating to the issuance, will be used to replenish the Bank's Additional Tier 1 Capital.

15 Listing/trading arrangements

The listing/trading arrangements for the Offshore Preference Shares will be set out in the issuance documents.

16 Validity period of the resolution for the issuance of Offshore Preference Shares

The Offshore Preference Share issuance plan will be valid for 36 months from the date on which the resolution is approved at the shareholders' general meeting.

17 Matters relating to authorization

(1) Matters authorized in connection with the issuance of Offshore Preference Shares

To ensure the successful implementation of the issuance of Offshore Preference Shares, it is proposed that the shareholders' general meeting delegate authority to the Board which will sub-delegate authority to the Chairman and the President to exercise full power jointly or individually to deal with the matters in connection with the issuance of the Offshore Preference Shares within the validity period of the authorization for the issuance of the Offshore Preference Shares under the framework and principles as considered and resolved at the shareholders' general meeting, including but not limited to those set out below:

- (i) to formulate and implement the final Offshore Preference Share issuance plan, including but not limited to:
 - (a) to determine the number of series and the respective issue number and issue amount of each series of the Offshore Preference Shares within the approved total issue number and issue amount;
 - (b) to determine the method for determining the dividend rate and the specific dividend rate and adjusted dividend rate period of the Offshore Preference Shares;
 - (c) to determine whether the Offshore Preference Shares will be issued at or above par value, the issue price of the Offshore Preference Shares, the denomination currency, and the specific commencement date of the redemption period, redemption conditions and the issuance method of the Offshore Preference Shares, with reference to market conditions before issuance;
 - (d) to determine the timing of issuance (including suspension and termination etc.) and target investors of the Offshore Preference Shares with reference to market conditions and subject to approval from regulatory authorities; and
 - (e) to determine other matters in relation to the issuance plan (including but not limited to rating arrangements, arrangements for the account for the proceeds, the tax arrangements in relation to any dividend payment, and the listing of the Offshore Preference Shares).

- (ii) if there are any new laws, regulations, regulatory rules or policies by relevant regulatory authorities on preference shares or any changes to market conditions occurring prior to the issuance of the Offshore Preference Shares, to amend the issuance plan accordingly to reflect such changes, except for amendments that must be approved in the shareholders' general meeting by voting according to relevant laws, regulations and the Articles of the Bank;
- (iii) to produce, amend, execute, implement and file the application materials relating to the issuance/listing of the Offshore Preference Shares, and the documents relating to the issuance/listing of the Offshore Preference Shares and to deal with related matters, such as approval, registration, filing, authorization and consent by relevant regulatory authorities (including stock exchange) according to the requirements of such relevant regulatory authorities;
- (iv) to amend, execute, implement, submit and publish all contracts, agreements and documents (including but not limited to the agreements signed by intermediaries in relation to the issuance of the Offshore Preference Shares, agreements relating to the issuance proceeds, subscription agreements entered into with investors, announcements, circulars and other disclosure documents) in relation to the issuance of the Offshore Preference Shares;
- (v) to make appropriate amendments, adjustments and supplements to the issuance terms of the Offshore Preference Shares (including but not limited to the relevant settings of the terms of mandatory conversion) in accordance with the opinions of the relevant regulatory authorities and the actual circumstances of the Bank to the extent permitted by laws and regulations;
- (vi) to deal with other matters relating to the issuance of the Offshore Preference Shares.

The authorization for the issuance of the Offshore Preference Shares shall remain valid during the 12 months following the passing of the resolution at the shareholders' general meeting. If the issuance of the Offshore Preference Shares is not completed before the expiration of the validity period of such authorization, then such authorization will lapse, but the Board has the right to seek approval at a shareholders' general meeting to extend or renew the validity period of such authorization.

(2) Matters authorized in connection with the Offshore Preference Shares that remain outstanding

So long as the Offshore Preference Shares remain outstanding, it is proposed that the shareholders' general meeting authorizes the Board, which could be delegated, to exercise full power to deal with matters under laws and regulations, Articles of the Bank, relevant regulatory rules and the framework and principles as considered and approved at the shareholders' general meeting in relation to the following matters:

- (i) to deal with all matters relating to conversion of the Offshore Preference Shares during the conversion period upon occurrence of any trigger event for mandatory conversion of the Offshore Preference Shares, including but not limited to, determining the timing of conversion, conversion ratio and implementing the procedures for conversion, amending the relevant provisions in the Articles of the Bank, dealing with regulatory approvals and registering with the administration for industry and commerce and other relevant government authorities for the change in registration of the Bank as well as other matters;
- (ii) to decide on matters relating to redemption of the Offshore Preference Shares during the redemption period with reference to market conditions and other factors, and to deal with all matters relating to redemption as approved by the China Banking Regulatory Commission and other regulatory authorities; and
- (iii) to determine and deal with matters in relation to dividend payment to Offshore Preference Shareholders in accordance with the requirements of the issuance terms. However, cancellation of preference share dividends in whole or in part shall still require the approval of the shareholders' general meeting.