THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your **Shares in Postal Savings Bank of China Co., Ltd.**, you should at once hand this circular and the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

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)

ADJUSTMENT TO DEPOSIT AGENCY FEE RATES FOR AGENCY RENMINBI PERSONAL DEPOSIT TAKING BUSINESS AND NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

Postal Savings Bank of China Co., Ltd. will convene the EGM at 2:00 p.m. on Tuesday, November 1, 2022 at the Head Office of the Bank (No. 3 Financial Street, Xicheng District, Beijing). The letter from the Board of Directors is set out on pages 4 to 18 of this circular. The notice of the EGM is set out on pages 19 to 20 of this circular. The letter from the Independent Board Committee is set out on page 21 of this circular. The letter from Altus Capital containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Adjustment to Deposit Agency Fee Rates and entering into the Supplemental Agreement is set out on pages 22 to 45 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM. If you intend to appoint a proxy to attend the EGM, you are required to complete the enclosed proxy form(s) in accordance with the instructions printed thereon. The proxy form(s) should be returned to Computershare Hong Kong Investor Services Limited (17M Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong) for H Shareholders, in any event served by hand or by post not less than 24 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

* *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.*

October 14, 2022

CONTENTS

In this circular, unless the context otherwise requires, the following terms and expressions have the following meanings:

"Adjustment to Deposit Agency Fee Rates" or "Adjustment"	the Bank and China Post Group's proposed improvement and adjustment of the pricing mechanism for deposit agency fee of agency Renminbi personal deposit taking business under the Agency Banking Businesses Framework Agreement to be considered and approved at the EGM, details of which are set out in this circular
"A Share(s)"	Ordinary Share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in RMB and listed on the Shanghai Stock Exchange
"A Shareholder(s)"	holder(s) of A Shares
"Agency Banking Businesses Framework Agreement"	the agency banking businesses framework agreement dated September 7, 2016 between the Bank and China Post Group
"Altus Capital" or "Independent Financial Adviser"	Altus Capital limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Adjustment to Deposit Agency Fee Rates and entering into the Supplemental Agreement
"Articles of Association"	the Articles of Association of Postal Savings Bank of China Co., Ltd., as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Bank" or "Postal Savings Bank of China"	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company incorporated in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets and agency outlets (to the extent of agency outlets' operations, risk management and licenses in relation to agency banking businesses they conduct) and subsidiaries (where the context so requires)

"Board" or "Board of Directors"	the board of Directors of the Bank
"Board of Supervisors"	the board of Supervisors of the Bank
"CBIRC"	China Banking and Insurance Regulatory Commission
"China Post Group"	China Post Group Co., Ltd., a wholly state-owned company restructured from the former China Post Group Corporation in accordance with the Company Law of the People's Republic of China, is the controlling Shareholder of the Bank
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Bank
"EGM"	the 2022 first extraordinary general meeting to be convened by the Bank at 2:00 p.m. on Tuesday, November 1, 2022 at the Head Office of the Bank (No. 3 Financial Street, Xicheng District, Beijing)
"Group"	the Bank and its subsidiaries
"H Share(s)"	Ordinary Share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of H Shares
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the independent board committee comprising Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli, the Independent Non-executive Directors

"Independent Shareholder(s)"	the Shareholder(s) of the Bank except for China Post Group and its associates
"Latest Practicable Date"	October 13, 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Prospectus"	prospectus of the Bank dated September 14, 2016
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)" or "Ordinary Share(s)"	the A Share(s) and/or H Share(s) of the Bank
"Shareholder(s)"	holder(s) of Shares of the Bank
"Supervisor(s)"	our supervisor(s)
"Supplemental Agreement"	supplemental agreement to the Agency Banking Businesses Framework Agreement (2022) dated September 29, 2022 between the Bank and China Post Group with conditions precedent

中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

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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)

Board of Directors:

Executive Directors:
Mr. Liu Jianjun *(Acting on behalf of the Chairman of the Board)*
Mr. Zhang Xuewen
Ms. Yao Hong

Non-executive Directors:
Mr. Han Wenbo
Mr. Chen Donghao
Mr. Wei Qiang
Mr. Liu Yue
Mr. Ding Xiangming

Independent Non-executive Directors:
Mr. Fu Tingmei
Mr. Wen Tiejun
Mr. Chung Shui Ming Timpson
Mr. Hu Xiang
Ms. Pan Yingli

Registered Office:
No. 3 Financial Street,
Xicheng District,
Beijing, PRC

Principal Place of Business in Hong Kong:
40th Floor, Dah Sing Financial Centre,
No. 248 Queen's Road East
Wan Chai,
Hong Kong

To the Shareholders:

Dear Sir or Madam,

I. INTRODUCTION

On behalf of the Board of Directors, I would like to invite you to attend the EGM to be convened at 2:00 p.m. on Tuesday, November 1, 2022 at the Head Office of the Bank (No. 3 Financial Street, Xicheng District, Beijing).

The purpose of this circular is to provide you with the notice of the EGM and all reasonably necessary information, to enable you to make an informed decision on whether to vote for or against the proposed resolution at the EGM.

II. MATTERS TO BE CONSIDERED AT THE EGM

The resolution to be proposed and approved as an ordinary resolution at the EGM is: (1) the Proposal Regarding the Adjustment to Deposit Agency Fee Rates for Agency Renminbi Personal Deposit Taking Business by Postal Savings Bank of China and China Post Group.

1. Proposal Regarding the Adjustment to Deposit Agency Fee Rates for Agency Renminbi Personal Deposit Taking Business by Postal Savings Bank of China and China Post Group

Reference is made to the section headed "Connected Transactions" in the Prospectus, in relation to the Agency Banking Businesses Framework Agreement entered into between the Bank and China Post Group regarding the Bank's entrustment of China Post Group to conduct part of the Bank's commercial banking businesses through agency outlets (the "**Agency Banking Businesses**").

A. Overview of transaction

The Agency Banking Businesses under the Agency Banking Businesses Framework Agreement include (1) Renminbi personal deposit taking business (the "**Agency Renminbi Deposit Taking Business**") and foreign currency personal deposit taking business (the "**Agency Foreign Currency Deposit Taking Business**") (the Agency Renminbi Deposit Taking Business and the Agency Foreign Currency Deposit Taking Business are collectively referred to as the "**Agency Deposit Taking Business**"); and (2) financial settlement services, financial agency services and other services provided by agency outlets (collectively, the "**Agency Banking Intermediary Businesses**").

B. Waivers from strict compliance with the Hong Kong Listing Rules

As disclosed in the Prospectus, a term of not more than three years for the Agency Banking Businesses Framework Agreement pursuant to Rule 14A.52 of the Hong Kong Listing Rules, which would subject the Agency Banking Businesses Framework Agreement to Independent Shareholders' approval every three years in light of the size of the transactions contemplated thereunder, would be unduly burdensome and impracticable. The Bank and China Post Group will be exposed to the risk of not being able to renew the Agency Banking Businesses Framework Agreement upon expiry in fulfilment of the respective regulatory obligations and this would give rise to uncertainty of whether our business model, which contributes to our success, is sustainable. Therefore, the Agency Banking Businesses Framework Agreement shall have an indefinite term. In addition, for the cap of deposit agency fee payable for Agency Deposit Taking Business, the amount of deposit agency fee depends on the amount and type of agency deposits of Renminbi and foreign currency, which the Bank has no control over. Therefore, the Bank cannot estimate the amount of the deposit agency fee payable to China Post Group and/or its associates. As a result, historical amounts of deposit agency fee fluctuate and reference to historical amounts of transactions under the Agency

Banking Businesses Framework Agreement may not be a fair and meaningful indication of the expected deposit agency fee in the future. It is impracticable to set a monetary cap on the deposit agency fee payable by the Bank to China Post Group. Therefore, upon the listing of H Shares, the Bank has applied for, and the Hong Kong Stock Exchange has granted the Bank, in respect of the Agency Banking Businesses Framework Agreement, a waiver from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Hong Kong Listing Rules; and in respect of Agency Deposit Taking Business and Agency Banking Intermediary Businesses, a waiver from strict compliance with the requirements to set monetary annual caps under Rule 14A.53(1) of the Hong Kong Listing Rules.

C. Pricing policies of Agency Renminbi Deposit Taking Business

The Bank pays deposit agency fees to China Post Group in respect of the Agency Deposit Taking Business.

In respect of the Agency Renminbi Deposit Taking Business, the Bank currently calculates the deposit agency fees for the Agency Renminbi Deposit Taking Business according to the principle of "Fixed Rate, Scaled Fees Based on Deposit Type", i.e., different deposit agency fee rates are applicable to deposits with different maturities (the "**Scaled Fee Rates**").

In 2011, the Bank and China Post Group, having taken into account costs and other factors with reference to the historical weighted average net interest spread of agency deposits of our predecessor, agreed to adopt 1.50% as the initial composite rate for deposit agency fee and implemented the "Fixed Rate, Scaled Fees Based on Deposit Type" on that basis. Accordingly, the Bank and China Post Group agreed to impose an initial cap on the composite rate (the "**Composite Rate**") for deposit agency fee (the "**Cap on Composite Rate**") at 1.50% in 2016.

The current Scaled Fee Rates for all types of deposits are set out in the table below:

Type	**Scaled Fee Rate**
Demand deposits	2.30%
Time-demand optional deposits	1.50%
Call deposits	1.70%
3-month time deposits	1.25%
Half-year time deposits	1.15%
1-year time deposits	1.08%
2-year time deposits	0.50%
3-year time deposits	0.30%
5-year time deposits	0.20%

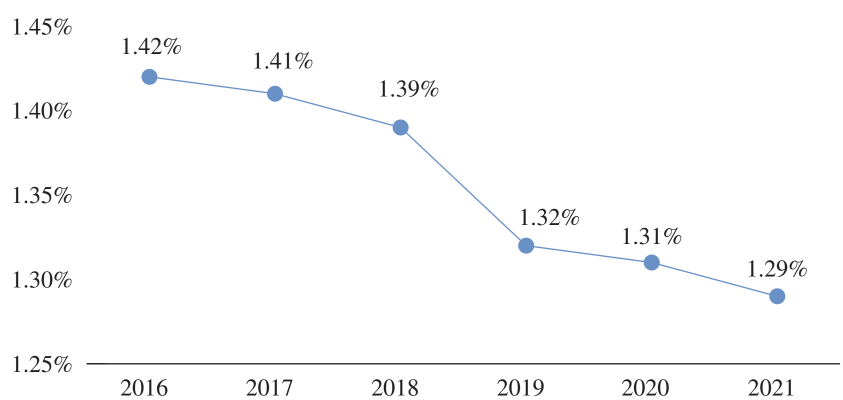
The formula for the deposit agency fee is as follows: Monthly deposit agency fee at the relevant outlet = Σ (aggregate amount of deposit for each type of deposit at the outlet for the month x the respective deposit agency fee rate of the relevant type of deposit/365) – aggregate cash (including cash in transit) for the month at the relevant outlet x 1.50%/365.

(I) Overview of the actual Composite Rate

The Composite Rate for each year is calculated from the Scaled Fee Rates and the daily average balance of agency deposits with different maturities during the year, and the Composite Rate derived varies with the Bank's agency deposits structure from year to year.

Since the listing of H Shares of the Bank in 2016, the Composite Rate decreased year by year, representing a decrease of 13 BPs from 1.42% to 1.29% in 2021, as shown in the following chart:

The Composite Rate from 2016-2021



(II) Adjustment to deposit agency fee rates

According to the Agency Banking Businesses Framework Agreement, the Adjustment to Deposit Agency Fee Rates for Agency Renminbi Deposit Taking Business is divided into proactive adjustment and passive adjustment. To be specific, passive adjustment means the Bank and China Post Group shall discuss whether and how to adjust the Composite Rate and corresponding Scaled Fee Rates adjusted based on the proposed Composite Rate within six months from the date on which the parties are aware of any significant fluctuation of interest rate in the future, for instance, the average annual net interest spread (calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities) of the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank (the "**Big Four**") for the most recent period fluctuates more than a certain threshold (the

"**Triggering Threshold**", initially 24%) compared to the average annual net interest spread of the Big Four for the 10 accounting years preceding the last passive adjustment was made (including the year in which the last passive adjustment was made), and the decision-making procedures will be followed.

For the above-mentioned passive adjustment, 2015 shall be taken as "the year when the last passive adjustment was made". The average net interest spread of the Big Four for the 10 years from 2006 to 2015 is 2.46%. Based on the initial Triggering Threshold of 24%, the upper and lower limit of the trigger shall be 3.05% and 1.87%, respectively. Since the announcements of the 2021 annual results of the Big Four on March 30, 2022, the average net interest spread of the Big Four has been 1.86%, which is lower than the lower limit of 1.87% for the first time, triggering the passive adjustment.

(III) Deposit agency fee rates adjustment plan

Based on the calculation results of internal fund transfer pricing (FTP) method and return on total assets method[1], the Composite Rate of 1.29% in 2021 is lower than the FTP-based net yield of savings deposits under personal banking business of the Big Four in 2021, and is also lower than the average of the return on total assets of the Big Four in the recent five years after deducting the interest rate of agency savings deposits of the Bank. The Composite Rate of 1.29% in 2021 still has a reasonable basis.

Despite a reasonable basis for current deposit agency fee rates, taking into account the current interest rate environment and future interest rates trends and for purposes of optimizing the deposit structure, reducing the cost of interest payment, enhancing the proactive liability management capability and promoting the long-term healthy development of the agency savings deposit business, in the context of the passive adjustment of deposit agency fee rates being triggered, the Bank and China Post Group, based on the perspective of keeping commitment, abiding by rules, keeping in mind the big picture, taking the long view, advancing with the times, acting in a reasonable and compliant manner, maximizing the interests of Shareholders and complying with regulatory requirements, fully consider the opinions of various parties, follow the principles of compliance with laws and regulations, standardization and transparency, equality and reciprocity, honesty and credibility, and commercial sustainability, and intend to significantly decrease the Scaled Fee Rates for 2-year, 3-year and 5-year agency savings deposits with relatively high interest rates while appropriately increase the Scaled Fee Rates of

1 Based on the calculation method of internal fund transfer pricing and return on total assets in the industry, and taking into account the data publicly available and relevant assumptions, the Bank calculated the average of FTP-based net yields and return on total assets of the Big Four and adopted it as a reference of the Composite Rate, which may differ from the data used internally by the Big Four.

demand and 1-year agency savings deposits with relatively low interest rates so as to optimize the deposit structure, promote high-quality development and accelerate the transformation of the Bank from a "savings bank" to a "wealth management bank".

According to provisions of the Agency Banking Businesses Framework Agreement, the Bank and China Post Group have entered into a Supplemental Agreement regarding the optimization and adjustment for the pricing mechanism of deposit agency fees after mutual consultation between the two parties.

The specific adjustment plan of the Scaled Fee Rates for deposit agency fees is as follows:

Type	**Before the Adjustment**	**After the Adjustment**	**Change**
Demand deposits	2.30%	2.33%	Increase by 3BPs
Time-demand optional deposits	1.50%	1.50%	–
Call deposits	1.70%	1.70%	–
3-month time deposits	1.25%	1.25%	–
Half-year time deposits	1.15%	1.15%	–
1-year time deposits	1.08%	1.10%	Increase by 2BPs
2-year time deposits	0.50%	0.35%	Decrease by 15BPs
3-year time deposits	0.30%	0.10%	Decrease by 20BPs
5-year time deposits	0.20%	0.00%	Decrease by 20BPs
Daily aggregate cash (including cash in transit)	-1.50%	-1.50%	–

Having considered the historical composition of the agency deposits and the comprehensive cost of deposits with different maturities, the Bank and China Post Group intend to optimize and adjust the Scaled Fee Rates based on mutual consultation between the two parties, details of which are set out below:

Demand deposits: The overall interest rates of demand deposits are low, and hence such deposits have a relative advantage in terms of comprehensive cost. However, the proportion[2] of demand deposits had been declining from approximately 32.60% in 2017 to approximately 26.69% in 2021, representing a cumulative decline of approximately 5.9 percentage points and an average annual decline of approximately 1.5 percentage points. It is proposed that the Scaled Fee Rate of demand deposits be increased by 3BPs to promote long-term development of demand deposits.

2 The proportion of the daily average balance of the relevant type of deposits over total daily average balance of agency deposits.

Time deposits: (1) The proportion of time deposits (i.e. with maturity terms of one year or above) had increased by approximately 7.3 percentage points from approximately 60.60% in 2017 to approximately 67.94% in 2021. Among the time deposits, the 3-year time deposits had recorded fastest growth, the proportion of which increased from approximately 6.78% in 2017 to approximately 10.61% in 2021, representing a cumulative growth of approximately 3.8 percentage points and an average annual growth of approximately 1.0 percentage points. The interest rate of 3-year time deposits was significantly higher than that of the 2-year and 1-year time deposits. Similarly, the interest rate of 2-year time deposits was also significantly higher than that of the 1-year time deposits. Accordingly, the Scaled Fee Rates of the 2-year, 3-year and 5-year time deposits are proposed to be lowered by 15BPs, 20BPs and 20BPs respectively, representing a significant decline of approximately 30%, 67% and 100% respectively; (2) Considering the interest cost of 1-year time deposits has a relative advantage, it is proposed that the Scaled Fee Rate of 1-year time deposits be increased by 2BPs to promote the optimization of the composition of time deposits and the migration among time deposits of different maturities, and to effectively lower the interest rate and the comprehensive cost.

The adjusted Scaled Fee Rates shall be implemented from the date when the Supplemental Agreement takes effect.

According to the provisions of the Agency Banking Businesses Framework Agreement, after the passive adjustment of the pricing of the deposit agency fee is triggered, 2021 shall be updated as the year of the latest passive adjustment, with the 10 accounting years preceding the latest passive adjustment being updated as 2012-2021 accordingly. The average net interest spread of the Big Four is 2.16% during the period, which will be used as the new benchmark for comparison. The specific proportion of the applicable Triggering Threshold remains unchanged at 24%. The passive adjustment will be triggered in the future when the average net interest spread of the Big Four is above 2.68% or below 1.64%.

D. Supplemental Agreement

The details of the Supplemental Agreement are set out below:

Date of Signing	:	September 29, 2022
Contracting Parties	:	The Bank and China Post Group

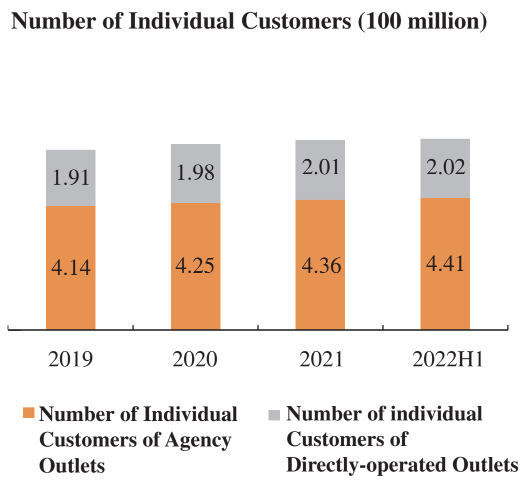
Adjustment to the Scaled Fee Rates	:	The deposit agency fees for the Agency Renminbi Deposit Taking Business continue to follow the current principle of "Fixed Rate, Scaled Fees Based on Deposit Types", i.e. different deposit agency fee rates are applicable to savings deposits with different maturities. To adjust the existing Scaled Fee Rates, please refer to the above "Pricing Policies of Agency Renminbi Deposit Taking Business – Deposit Agency Fee Rates Adjustment Plan" for specific adjustment method. The adjusted Scaled Fee Rates shall be implemented from the date when the Supplemental Agreement takes effect.
Resetting the Trigger Conditions for the Passive Adjustment	:	The trigger mechanism for the passive adjustment of the deposit agency fee for Agency Renminbi Deposit Taking Business remains unchanged. Both parties shall negotiate whether and how to adjust the Composite Rate and the Scaled Fee Rates based on the adjusted Composite Rate accordingly within six months from the date on which the parties are aware of that the passive adjustment has been triggered, and shall implement relevant decision-making procedures, the requirements of which is the same as those in the Agency Banking Businesses Framework Agreement. Regardless of whether the parties complete such negotiation and decision-making procedures within six months or not, the parties shall continue to follow the original Scaled Fee Rates in settlements before the negotiation and decision-making procedures are completed. If it is finally decided to adjust the Composite Rate and the Scaled Fee Rates, the adjusted Composite Rate and Scaled Fee Rates will be applied from the date of approval by the Bank's Shareholders' general meeting. The specific proportion of the applicable Triggering Threshold after the execution of the Supplemental Agreement is 24%, with 2021 as the year of the latest passive adjustment. If the two parties discuss and determine whether and how to adjust the Composite Rate and the Scaled Fee Rates again in the future, the parties shall determine the specific proportion of the Triggering Threshold applicable for the next passive adjustment, and shall enter into the corresponding supplemental agreement.

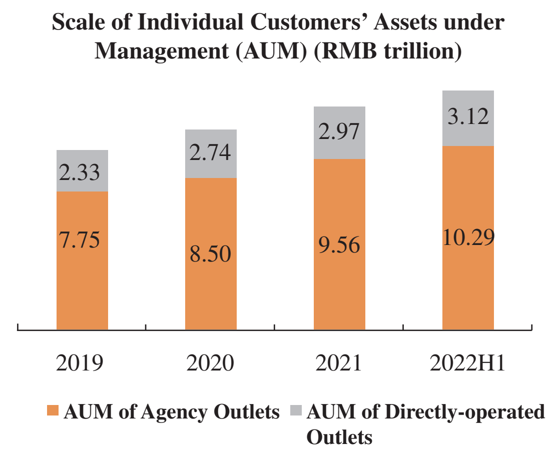
Conditions Precedent	:	1. The Supplemental Agreement shall be affixed with the signature and seal of the legal representatives/ persons in charge of both parties or their authorized representatives;
		2. The relevant contents of the Supplemental Agreement shall be approved by the Shareholders' general meeting of the Bank.

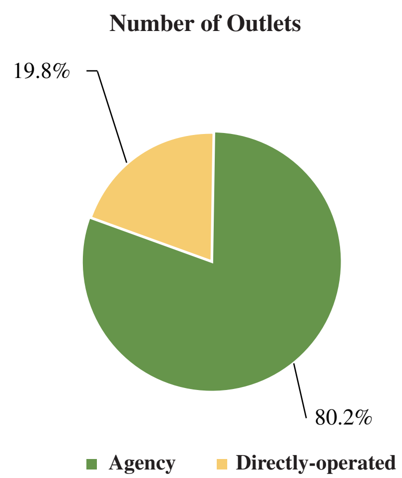
Save as the amendments to the Agency Banking Businesses Framework Agreement by the Supplemental Agreement, the other terms of the Agency Banking Businesses Framework Agreement remain unchanged. Please refer to the Prospectus for other major provisions of the Agency Banking Businesses Framework Agreement.

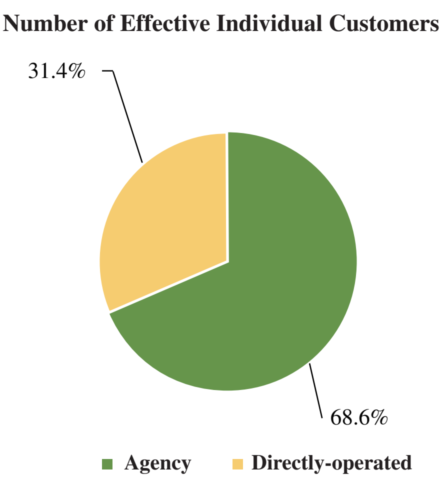
E. Reasons for and benefits of the Adjustment and the entering into the Supplemental Agreement

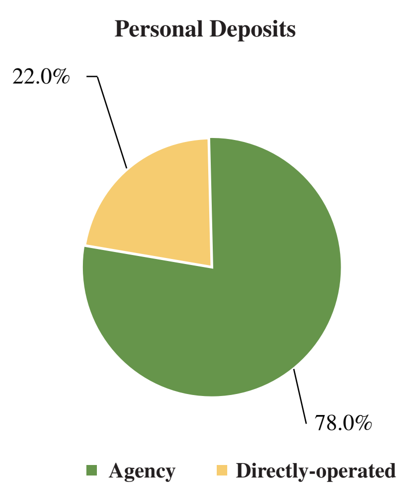
For a long time, agency savings deposits have played a vital role in the development of the Bank, laying a solid foundation for the growth of the Bank's assets and liabilities as well as the improvement of its profitability. Agency savings deposits provide the Bank with a long-term, stable and relatively low-cost source of funding, and strengthen the fundamentals of deposits. Personal deposits of RMB8.2 trillion in agency finance provide strong support to the development of the Bank's credit business, and provide solid guarantee for asset investment and funds utilization, so that the Bank's ability to continuously serve the real economy and promote inclusive finance has been enhanced. Meanwhile, agency savings deposits promote the continued growth of the Bank's individual customers and the scale of individual customers' assets under management (AUM). Approximately 69% of effective individual customers, 78% of personal deposits and 77% of individual customers' AUM of the Bank are from agency finance, which is of great significance to the implementation of the Bank's strategies such as serving rural revitalization and common prosperity.

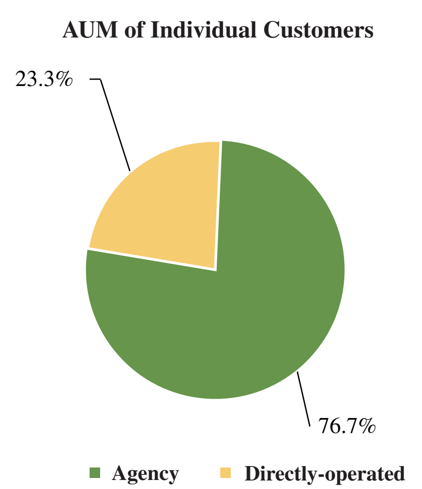












Calculated based on data as of the end of June 2022

The Composite Rate decreased from 1.42% in 2016 to 1.29% in 2021, representing a decrease of 13BPs or 9.15%. According to estimates, the Composite Rate of 1.29% in 2021 is lower than the FTP-based net yield of the savings deposit under personal banking business of the Big Four in 2021, and is also lower than the average of the return on total assets of the Big Four in the recent five years after deducting the interest rate of agency savings deposits of the Bank. The Composite Rate of 1.29% in 2021 still has a reasonable basis.

Taking into account the current interest rate environment and future interest rate trends and for the purpose of optimizing the deposit structure, reducing the cost of interest payment, enhancing the proactive liability management capability and promoting the long-term healthy development of the agency savings deposits, based on the principles of compliance with laws and regulations, standardization and transparency, equality and reciprocity, honesty and credibility and commercial sustainability in the context of passive adjustment of deposit agency fee rates, the Bank and China Post Group have strictly complied with the laws and regulations such as Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of Postal Savings Bank of China (Revision), Administrative Measures for Related Party Transactions of Banking and Insurance Institutions as well as relevant requirements such as regulatory rules in the place of listing, optimized and adjusted the deposit agency fee rates in accordance with the Agency Banking Businesses Framework Agreement after mutual negotiation. In addition, the Bank and China Post Group also updated the benchmark for the comparison of the net interest spreads of the Big Four and the upper and lower limits that shall trigger adjustment in the case of passive adjustment.

Based on the agency savings deposits in 2021, and calculated according to the adjusted Scaled Fee Rates, the deposit agency fee of the Bank in 2021 decreased from RMB93.376 billion to RMB92.370 billion, representing a decrease of RMB1.006 billion; the Composite Rate decreased from 1.29% to 1.27%, representing a decrease of 2BPs. Such decrease is in the range of 2BPs difference between the average of the return on total assets of the Big Four in the recent five years after deducting the interest rate of agency savings deposits of the Bank (1.32%) and the average Composite Rate of 1.34% during the last five years, which can be used as a reasonable reference for the change of the Composite Rate after the adjustment of Scaled Fee Rates.

F. Internal control measures

To ensure that the terms of the Agency Banking Businesses Framework Agreement (as amended by the Supplemental Agreement) are fair and reasonable and that the transactions contemplated under it are conducted on normal commercial terms, the Bank have adopted the following internal control measures:

- the Bank shall re-comply with the announcement and independent Shareholders' approval requirements before any proposed substantial amendment to the terms of the Agency Banking Businesses Framework Agreement pursuant to Rule 14A.54 of the Hong Kong Listing Rules;

- the Bank's Independent Non-executive Directors shall review the transactions under the Agency Banking Businesses Framework Agreement every year pursuant to Rule 14A.55 of the Hong Kong Listing Rules and confirm in the annual report whether such transactions are (1) entered into in the Bank's ordinary and usual course of business; (2) conducted on normal commercial terms or better; and (3) carried out in accordance with the Agency Banking Businesses Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

- in the event that the Composite Rate for a certain year is expected to exceed the Cap on Composite Rate (namely 1.50%), it will be regarded as a material change to the Agency Banking Businesses Framework Agreement and will require compliance with the circular, independent financial adviser's opinion and independent shareholders' approval requirements under the Hong Kong Listing Rules. The adjustment of Scaled Fee Rates in other scenarios will also be subject to the supervision by the Related Party Transactions Control Committee under the Board, Independent Non-executive Directors, the Board and/or the Independent Shareholders to varying degrees, and will be disclosed by way of announcement;

- the Board shall report annually to the Shareholders' general meeting on the implementation of related party transaction management systems, operation of the Related Party Transactions Control Committee under the Board as well as the conduction of related party transactions, mainly covering the Composite Rate of Renminbi Deposit Agency Fee, level of market interest rate and other matters as specified by laws and regulations;

- the Bank will disclose in the annual reports the information in respect of the Agency Deposit Taking Business (in respect of Agency Renminbi Deposit Taking Business, the Composite Rates, the Scaled Fee Rates, the daily average balance of deposits with different maturities and the corresponding deposit agency fee for the relevant year; in respect of Agency Foreign Currency Deposit Taking Business, the pricing principle of the deposit agency fee for short-term and long-term agency deposits for the relevant year) and Agency Banking Intermediary Businesses (including the fees and commissions paid in the relevant year); and

- the transactions under the Agency Banking Businesses Framework Agreement shall be reviewed by accountants engaged by the Bank on an annual basis pursuant to Rule 14A.56 of the Hong Kong Listing Rules.

G. Hong Kong Listing Rules implications

China Post Group, as the controlling Shareholder of the Bank, holds approximately 67.38% of the total issued ordinary share capital of the Bank as at the Latest Practicable Date. Therefore, China Post Group and its subsidiaries constitute connected persons of the Bank under Chapter 14A of the Hong Kong Listing Rules, and the Agency Banking Businesses Framework Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54(2) of the Hong Kong Listing Rules, if the Bank intends to substantially revise the terms of the continuing connected transactions, the Bank will be required to re-comply with the relevant provisions of Chapter 14A of the Hong Kong Listing Rules in respect of the relevant continuing connected transactions. At the same time, as disclosed in the Prospectus, according to the Agency Banking Businesses Framework Agreement, the Bank and China Post Group's adjustments to the deposit agency rate of the Agency Renminbi Deposit Taking Business shall be submitted to the Shareholders' general meeting of the Bank for consideration.

H. Board confirmation

The Directors (including the Independent Non-executive Directors) believe that the Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms. The Adjustment and the entering into the Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

For the Adjustment and the entering into the Supplemental Agreement, except for Mr. Liu Jianjun, Mr. Zhang Xuewen, Ms. Yao Hong, Mr. Han Wenbo, Mr. Chen Donghao and Mr. Wei Qiang, none of the Directors has a material interest in the above matters and is required to abstain from voting on the board resolution approving the above matters. The above Directors have abstained from voting on the resolution.

I. Independent Board Committee and the Independent Financial Adviser

An Independent Board Committee comprising all Independent Non-executive Directors has been established to advise the Independent Shareholders on the Adjustment and the entering into the Supplemental Agreement.

An Independent Financial Adviser, Altus Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Adjustment and the entering into the Supplemental Agreement.

J. General information on the Bank and China Post Group

The Bank is a leading retail bank in China with the largest distribution network, largest customer base and superior asset quality. The major businesses of the Bank include personal banking, corporate banking and treasury business.

In accordance with the national regulations, China Post Group conducts diversified operations with postal services, express logistics, finance and e-commerce as its main businesses. China Post Group is principally engaged in domestic and international mail delivery, domestic and international parcel express delivery, distribution of publications such as newspapers, journals and books, stamp issuance, postal remittance, confidential correspondence, postal financial business, postal logistics, e-commerce, postal agency and other businesses conducted as stipulated by the state.

It is hereby proposed to the Shareholders at the Shareholders' general meeting to approve the Adjustment and the entering into the Supplemental Agreement and agree to authorize the Board to delegate full authority to the Chairman and the President or other persons authorized by the Chairman and the President, to jointly or individually, deal with matters relevant to the adjustment to the deposit agency fee rates subject to the framework and principles approved at the Shareholders' general meeting and in compliance with the requirements of relevant laws, administrative regulations and normative documents as well as opinions and recommendations of regulatory authorities. The content and scope of the authorization include but are not limited to regulatory filing and adjustment to the Supplemental Agreement based on the opinions of regulatory authorities.

The Proposal Regarding the Adjustment to Deposit Agency Fee Rates for Agency Renminbi Personal Deposit Taking Business by Postal Savings Bank of China and China Post Group was considered and approved by the Board on September 29, 2022, and is hereby proposed to the EGM for Shareholders' consideration and approval.

III. THE EGM

Enclosed is the form of proxy for the EGM.

China Post Group and its associates (holding a total of approximately 67.38% of the issued Shares of the Bank as at the Latest Practicable Date) shall abstain from voting on the following proposal at the EGM: (1) the Proposal Regarding the Adjustment to Deposit Agency Fee Rates for Agency Renminbi Deposit Taking Business by Postal Savings Bank of China and China Post Group. Save as disclosed above, to the best of the Directors' knowledge, information and belief, there are no other Shareholders who have any material interest in the adjustment to Deposit Agency Fee Rates and the entering into the Supplemental Agreement and are required to abstain from voting on the resolution at the EGM.

If you intend to appoint a proxy to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon. H Shareholders shall return the proxy form(s) to Computershare Hong Kong Investor Services Limited located at 17M Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong by hand or by post as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

In order to determine the list of H Shareholders who are entitled to attend the EGM, the Bank's H Share register of members will be closed from Thursday, October 27, 2022 to Tuesday, November 1, 2022, both days inclusive, during which period no transfer of the H Shares of the Bank will be affected. To attend the EGM, H Shareholders shall, before 4:30 p.m. on Wednesday, October 26, 2022, submit the share certificates and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong.

IV. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at a Shareholders' general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution proposed at the EGM will be voted by poll.

V. RECOMMENDATIONS

The Board has passed the resolution to be submitted to the Shareholders for consideration and approval. At the relevant Board meeting, Directors Mr. Liu Jianjun, Mr. Zhang Xuewen, Ms. Yao Hong, Mr. Han Wenbo, Mr. Chen Donghao and Mr. Wei Qiang have material interests in the adjustment to Deposit Agency Fee Rates and the entering into the Supplemental Agreement and have abstained from voting on the following resolution: (1) the Proposal Regarding the Adjustment to Deposit Agency Fee Rates for Agency Renminbi Deposit Taking Business by Postal Savings Bank of China and China Post Group. Except for the above Directors, no Directors have or are deemed to have material interests in the adjustment to Deposit Agency Fee Rates and the entering into the Supplemental Agreement.

The Board considers that the resolution proposed at the EGM are in the interests of the Bank and its Shareholders as a whole. As such, the Board recommends you to vote in favour of the resolution to be proposed at the EGM.

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

October 14, 2022

中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

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)

NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2022 first extraordinary general meeting (the "**EGM**") of Postal Savings Bank of China Co., Ltd. (the "**Bank**") will be held at the Head Office of the Bank (No.3 Financial Street, Xicheng District, Beijing) at 2:00 p.m. on Tuesday, November 1, 2022 to consider and approve the following ordinary resolution:

1. To consider and approve the Proposal Regarding the Adjustment to Deposit Agency Fee Rates for Agency Renminbi Personal Deposit Taking Business by Postal Savings Bank of China and China Post Group.

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

Beijing, the PRC
October 14, 2022

As at the date of this notice, the Board comprises Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong as executive Directors; Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors; Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli 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.*

Notes:

1. According to the Hong Kong Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution proposed at the EGM will be voted by poll. After the EGM, relevant voting results will be published on the website of the Bank (www.psbc.com) as well as the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

2. A Shareholder entitled to attend and vote at the EGM announced to be convened herein is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy need not be a Shareholder of the Bank.

3. The proxy form together with notarized authorization letters of signatories or other authorization documents (if any) shall be invalid unless they are filled out and returned to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited not less than 24 hours before the time designated for holding the EGM or any adjournment thereof. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

4. To determine the name list of H Shareholders entitled to attend the EGM, the Bank will suspend registration of transfer of H Shares from Thursday, October 27, 2022 to Tuesday, November 1, 2022 (both days included). To attend the EGM, H Shareholders shall, before 4:30 p.m. on Wednesday, October 26, 2022, submit the share certificates and share transfer documents to the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong.

5. For joint holders, only the one whose name stands first in the Register shall be entitled to attend the EGM and vote in respect thereof.

6. Shareholders or their proxies shall present their identity documents when attending the EGM:

   (1) Legal representatives of legal person Shareholders who attend the meeting shall provide their valid personal identification certificates, valid proof of their capacity as legal representatives and proof of identity as a Shareholder; where the legal representatives delegate others to attend the meeting, proxies of the Shareholder shall provide, in addition to the documents above, their valid personal identification certificates and written form of proxy provided by the legal representatives (including those signed by an authorized person) according to laws. Where the other persons are authorized to attend the meeting by the legal person Shareholders, they shall provide their valid personal identification certificates, resolution of the authorization by the Board of Directors or other decision-making institution of legal person Shareholders and proof of identity as a Shareholder.

   (2) Natural person Shareholders who attend the meeting in person shall provide their valid personal identification certificates and proof of identity as a Shareholder; where others are delegated to attend the meeting, proxies of Shareholders shall provide their valid personal identification certificates, the authorization letters from the Shareholders and documents proving their Shareholder identities.

7. According to the Articles of Association, if the number of shares of the Bank pledged by the Shareholder is equal to or greater than 50% of the shares held by such Shareholder in the Bank, the voting right attached to the pledged shares may not be exercised at the Shareholders' general meeting. Upon completion of the share pledge registration, the Shareholder shall timely provide the Bank with information relating to the share pledge.

8. In order to effectively implement the requirements of governments at all levels on the prevention and control of COVID-19, prevent crowds from gathering, protect the health of the Shareholders and the attendees, and safeguard the legitimate rights and interests of all Shareholders, the Bank recommends that A Shareholders choose to authorize the chairman of the meeting or the secretary of the Board to vote on their behalf, or to vote by means of online voting at the time. H Shareholders are recommended to choose to authorize the chairman of the meeting to vote on their behalf. If on-site participation is necessary, Shareholders and their proxies must pay attention to in advance and strictly abide by the rules and requirements of Beijing Municipality on declaration of health status, quarantine and observation during the COVID-19 response, present a valid negative nucleic acid test result, the travel code and the health QR code that meet epidemic prevention requirements, and take a temperature test and fill out personal information faithfully and completely before entering the venue. Attendees are recommended to wear masks throughout the meeting and keep necessary social distance in accordance with the arrangements of the meeting.

9. The EGM is expected to last for not more than half a day. Shareholders or their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses.

10. The address of Computershare Hong Kong Investor Services Limited is 17M Floor and Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong.

11. The address of the Bank's Registered Office is No. 3 Financial Street, Xicheng District, Beijing, PRC.

    Tel: 86-10-68858158
    Fax: 86-10-68858165

中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

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)

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION: ADJUSTMENT TO DEPOSIT AGENCY FEE RATES AND THE ENTERING INTO THE SUPPLEMENTAL AGREEMENT

We refer to the circular of the Bank dated October 14, 2022 (the "**Circular**"). Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

We have formed the Independent Board Committee to advise you as to whether, in our opinion, the Supplemental Agreement has been entered into in the ordinary and usual course of business of the Bank on normal commercial terms, on whether the adjustment to Deposit Agency Fee Rates and the entering into the supplemental agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

Altus Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. The details of the recommendations, together with the major considerations and reasons for reaching the recommendations, are set out in the Letter from Altus Capital on pages 22 to 45 of the Circular.

We also wish to draw your attention to the Letter from the Board of Directors set out on pages 4 to 18 of the Circular. After considering the information contained in the Letter from the Board of Directors, the interests of Independent Shareholders and the opinions and suggestions of Altus Capital, we are of the opinion that the Supplemental Agreement is entered into in the ordinary and usual course of business of the Bank on normal commercial terms, the adjustment to Deposit Agency Fee Rates and the entering into the supplemental agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the matters regarding the adjustment to Deposit Agency Fee Rates and the entering into the Supplemental Agreement at the EGM.

Yours faithfully,

Independent Board Committee

Fu Tingmei *Independent Non-executive Director*	**Wen Tiejun** *Independent Non-executive Director*	**Chung Shui Ming Timpson** *Independent Non-executive Director*	**Hu Xiang** *Independent Non-executive Director*	**Pan Yingli** *Independent Non-executive Director*

The following in the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Adjustment to Deposit Agency Fee Rates and entering into the Supplemental Agreement, which has been prepared for the purpose of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

14 October 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**CONTINUING CONNECTED TRANSACTION:
ADJUSTMENT TO DEPOSIT AGENCY FEE RATES AND
THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT**

OVERVIEW

Altus Capital Limited has been engaged to prepare an independent financial adviser's report (the "**Report**") for the purpose of providing a written opinion in relation to the optimisation and adjustment of the pricing mechanism for deposit agency fee of the Agency Deposit Taking Business and the entering into of the Supplemental Agreement in light of the event (the "**Event**") triggering the passive adjustment mechanism of the deposit agency fees of the Agency Renminbi Deposit Taking Business under the agency banking businesses framework agreement dated 7 September 2016 between Postal Savings Bank of China Co., Ltd. (the "**Bank**") and China Post Group Corporation (which has been restructured into China Post Group Corporation Limited), which has been prepared for the purposes of incorporation into the circular of the Bank dated 14 October 2022 (the "**Circular**"). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Basic information on the connected transaction

1.1. General information on the Bank and China Post Group

The Bank is a leading retail bank in China with the largest distribution network, customer base and superior asset quality among the commercial banks in China. The major businesses of the Bank include personal banking, corporate banking and treasury businesses.

In accordance with the national regulations, China Post Group conducts diversified operations with postal services, express logistics, finance and e-commerce as its main businesses. China Post Group is principally engaged in domestic and international mail delivery, domestic and international parcel express delivery, distribution of publications such as newspapers, journals and books, stamp issuance, postal remittance, confidential correspondence, postal financial business, postal logistics, e-commerce, postal agency and other businesses conducted as stipulated by the state.

China Post Group, as the controlling Shareholder of the Bank, held approximately 67.38% of the total issued ordinary share capital of the Bank as at the Latest Practicable Date. Accordingly, China Post Group and its subsidiaries are connected persons of the Bank under Chapter 14A of the Hong Kong Listing Rules, and the Agency Banking Businesses Framework Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

1.2. Basic information relating to the agency deposit business

In order to fully exploit the respective advantages of China Post Group and the Bank and promote the long-term and steady development of the Bank's businesses, and in accordance with the provisions of the Notice of the State Council on the Issue of the Postal Service System Reform Plan (Guo Fa [2005] No. 27) and the Notice of the CBRC on Issuing Measures for the Administration of Agency Business Institutions of (Amended) for PSBC (Yin Jian Fa [2015] No. 49), on 7 September 2016, the Bank and China Post Group entered into the Agency Banking Businesses Framework Agreement in relation to the Bank entrusting China Post Group to handle certain commercial banking business through its agency outlets.

Pursuant to the Agency Banking Businesses Framework Agreement, China Post Group is to provide, among others, Agency Renminbi Personal Deposit Taking Business and Agency Foreign Currency Personal Deposit Taking Business to the Bank.

Both the Bank and China Post Group shall follow a proprietary "self-operated + agency" operation model for an indefinite period and neither of them shall have the right to terminate the agency relationship between them. The Agency Banking Businesses Framework Agreement took effect from the date of execution (i.e. 7 September 2016) and would be valid for an indefinite period subject to compliance with the requirements of the regulatory rules of the place where the shares of the Bank are listed or if the relevant requirements are waived. At the time of the listing of the Bank's H shares in 2016 and A shares in 2019, given that it is not feasible to estimate the annual caps due to the special nature of the agency banking businesses, waivers from strict compliance with the requirement that the term of the agreement must not exceed three years and the requirement to set annual caps in terms of monetary value had been waived in accordance with the relevant requirements of the Hong Kong Listing Rules; and the review and disclosure in every three years and the expected caps on transactions had been waived in accordance with the relevant requirements of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

1.3. The particularity of the "self-operated + agency" model and its significance to the business development of the Bank

1.3.1. The "self-operated + agency" model is based on a unique policy approval

According to the Notice of the State Council on Issue of the Postal Service System Reform Plan (Guo Fa [2005] No. 27) and the Notice of the CBRC on Issuing Measures for the Administration of Agency Business Institutions (Amended) for PSBC (Yin Jian Fa [2015] No. 49), both the Bank and China Post Group shall follow a proprietary "self-operated + agency" operation model for an indefinite period and neither of them is entitled to terminate the agency arrangement.

In view of the unique "self-operated + agency" model in the banking industry in China, the Bank was granted a waiver on the term and caps for its agency banking businesses by the regulatory authorities when its H shares were listed in Hong Kong in 2016 and A shares were listed in Shanghai in 2019.

1.3.2. The significance of the "self-operated + agency" model for the business development of the Bank

The "self-operated + agency" model has positive implications for the business development of the Bank.

Firstly, by operating under the "self-operated + agency" model, the Bank leads the four major state-owned commercial banks in terms of the number of outlets. According to the Interim Report of the Bank for 2022, as at 30 June 2022, the Bank had 39,579 outlets, including 7,821 self-operated outlets and 31,758 agency outlets, accounting for approximately 20% and 80% of the total number of outlets, respectively. According to publicly available information, as at 30 June 2022, the number of branches and outlets of each of Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation (the "**Big Four**") was 15,733, 22,804, 10,348 and 14,427 respectively.

Secondly, the agency outlets provide an important source of deposits. According to the "Letter from the Board" of the Circular, the deposits taken through agency outlets accounted for 78% of the Bank's personal deposits.

Based on the "self-operated + agency" model, the Bank's net profit has continually increased and the return on net assets is comparable to the average of the industry peers.

1.4. Pricing mechanism for deposit agency fee

Pursuant to the Agency Banking Businesses Framework Agreement, China Post Group provides Agency Renminbi Personal Deposit Taking Business and Agency Foreign Currency Personal Deposit Taking Business to the Bank and the Bank pays deposit agency fee to China Post Group. The passive adjustment of the deposit agency fee only involves the deposit agency fee of the Agency Renminbi Personal Deposit Taking Business. Accordingly, discussions in this Report are confined to the current pricing mechanism of the deposit agency fee for Agency Renminbi Personal Deposit Taking Business.

In respect of the Agency Renminbi Personal Deposit Taking Business, the Bank calculates the deposit agency fees according to the principle of "Fixed Rate, Scaled Fees Based on Deposit Type", i.e., different fee rates are applicable to deposits with different maturities (the "**Scaled Fee Rates**"), and the actual weighted average deposit agency fee rate based on the Scaled Fee Rates and daily average balance of agency deposits of each type ("**Composite Rate**").

Formula for calculating deposit agency fee

Set out below is the formula for calculating deposit agency fee.

Monthly deposit agency fee at the relevant outlet = Σ (aggregate amount of deposit for each type of deposit at the outlet for the month × the respective deposit agency fee rate of the relevant type of deposit/365) – aggregate cash (including that in transit) for the month at the relevant outlet × 1.5%/365

When the above formula is used to calculate the actual deposit agency fee to be paid by the Bank, the corresponding deposit agency fee for the cash of the outlet (i.e. reserve funds retained by the agency outlet and agency deposits in transit) will be deducted. When calculating the deposit agency fee for the cash of the outlet that should be deducted from the total deposit agency fee, a Composite Rate of 1.50% (being the composite rate for deposit agency fee originally set and implemented in 2011) will be applied, instead of the Composite Rate for the actual deposit agency fee in that year.

Fixed Rate, Scaled Fees Based on Deposit Type

The fixed rate for each type of deposit varies with the maturity of the deposit, with Scaled Fee Rates ranging from 0.20% to 2.30%. Deposit agency fee rates are higher for demand deposits (with lower interest rates) and lower for time deposits (with higher interest rates). There is an overall negative correlation between the deposit agency fee rate and the interest rate payable to customers on the underlying deposits. The daily average balance and Scaled Fee Rates of each type of agency deposit of the Bank and the deposit agency fees of the relevant type of deposit paid to China Post Group in 2019, 2020 and 2021 are set out below:

Table 1

RMB million, except for percentages

	2021			2020			2019		
Type	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee	Daily average balance	Scaled Fee Rate (%)	Deposit agency fee
Demand deposits	1,934,703	2.30	44,498	1,853,776	2.30	42,637	1,759,950	2.30	40,479
Time-demand optional deposits	14,133	1.50	212	15,465	1.50	232	15,676	1.50	235
Call deposits	44,300	1.70	753	35,865	1.70	610	27,164	1.70	462
3-month time deposits	140,764	1.25	1,760	128,529	1.25	1,607	126,435	1.25	1,580
Half-year time deposits	190,345	1.15	2,189	169,866	1.15	1,953	163,139	1.15	1,876
1-year time deposits	3,640,495	1.08	39,317	3,159,530	1.08	34,123	2,855,948	1.08	30,844
2-year time deposits	510,853	0.50	2,554	396,020	0.50	1,980	278,743	0.50	1,394
3-year time deposits	769,341	0.30	2,308	763,364	0.30	2,290	717,977	0.30	2,154
5-year time deposits	4,895	0.20	10	5,644	0.20	11	9,041	0.20	18
Daily aggregate cash (including cash in transit)	14,995	(1.50)	(225)	15,334	(1.50)	(230)	15,813	(1.50)	(237)
Total	7,249,829	1.29	93,376	6,528,059	1.31	85,213	5,954,073	1.32	78,805

Composite Rate

The Composite Rate for each year is calculated based on the Scaled Fee Rate and daily average balance of each type of deposit during the year, which varies with the composition of agency deposits of the Bank from year to year. The cap of the Composite Rate is set at 1.50% as prescribed in the Agency Banking Businesses Framework Agreement. From 2016 to 2021, the Composite Rate of the deposit agency fee for RMB personal deposits was 1.42%, 1.41%, 1.39%, 1.32%, 1.31% and 1.29% respectively.

1.5. Adjustment method of deposit agency fees

The deposit agency fee rate adjustment includes proactive adjustment and passive adjustment. According to publicly available information and as confirmed by the Bank, the Bank and China Post Group had not actively adjusted the Scaled Fee Rates of the deposit agency fees since the execution of the Agency Banking Businesses Framework Agreement on 7 September 2016 and up to the Latest Practicable Date. As described in the first paragraph of the section headed "1.4 Pricing mechanism for deposit agency fee" above, discussions in this Report are confined to the passive adjustment of the deposit agency fee.

Passive adjustment mechanism

According to the Agency Banking Businesses Framework Agreement, the Bank and China Post Group shall discuss whether and how to adjust the Composite Rate and make corresponding Scaled Fee Rate adjustment based on the adjusted Composite Rate within six months from the date on which the parties become aware of any significant fluctuation of interest rate, for instance, the average annual net interest spread (calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities) of the Big Four for the most recent period fluctuates more than a certain threshold (the "**Triggering Threshold**") compared to the average annual net interest spread of the Big Four for the ten fiscal years preceding the last passive adjustment was made (including the year in which the last passive adjustment was made), and carry out the agreed decision-making procedures (see the paragraph headed "1.6. Decision-making procedures" below for details).

The following table sets forth the average net interest spread of the Big Four for the most recent fiscal year (i.e., the fiscal year ended 31 December 2021):

Table 2

	Industrial and Commercial Bank of China	Agricultural Bank of China	Bank of China	China Construction Bank	Average net interest spread
2021	1.92%	1.96%	1.62%	1.94%	1.86%

The initially applied Triggering Threshold applicable after the execution of the Agency Banking Businesses Framework Agreement was 24%, with the year 2015 being the latest year when the passive adjustment was made. Pursuant to the Agency Banking Businesses Framework Agreement, the passive adjustment mechanism will be triggered when the average net interest spread of the Big Four falls below 1.87% or exceeds 3.05%. Taking into account publicly available information and the confirmation by the Bank, no passive adjustment to deposit agency fee had been made since the execution of the Agency Banking Businesses Framework Agreement and up to the Latest Practicable Date. Therefore, the average net interest spread of the Big Four of 2.46% from 2006 to 2015 has been used as the basis of comparison.

The average net interest spread of the Big Four for the most recent fiscal year (2021) was 1.86%, which had fluctuated by more than 24% as compared with that of 2.46% for the previous ten years (including the year of the most recent passive adjustment) and triggered the passive adjustment mechanism. As a result, the agreed decision-making procedures should be implemented (see the paragraph headed "1.6. Decision-making procedures" below for details). Given that the passive adjustment is conducted pursuant to the terms of the Agency Banking Businesses Framework Agreement, we are of the view that the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Bank.

1.6. Decision-making procedures

In accordance with the Agency Banking Businesses Framework Agreement, the following decision-making procedures shall be implemented after a passive adjustment is triggered:

(1) The Related Party Transactions Control Committee of the Bank shall issue its written opinion to the Board of the Bank for consideration;

(2) All Independent Non-executive Directors of the Bank shall issue their written opinion after considering the opinion of an independent financial adviser;

(3) A resolution of the Board of the Bank shall be made;

(4) Should the Board decide to make adjustments, they shall also submit such decision to the Shareholders' general meeting for consideration. Whether or not the two parties will complete the negotiation and decision-making procedures as described above and agree on the proposed adjustment within six months, they should continue to follow the original Scaled Fee Rates before the completion of the negotiation and decision-making procedure; and

(5) If it is finally decided to adjust the Composite Rate and the Scaled Fee Rates, the adjusted Composite Rate and Scaled Fee Rates shall be applied from the date of approval at the Shareholders' general meeting.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the Supplemental Agreement has been entered into in the ordinary and usual course of business of the Bank on normal commercial terms, whether the adjustment to Deposit Agency Fee Rates and the entering into the Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

2. Implications of the Hong Kong Listing Rules

China Post Group, as the controlling Shareholder of the Bank, held approximately 67.38% of the total issued ordinary share capital of the Bank as at the Latest Practicable Date. Therefore, China Post Group and its subsidiaries constitute connected persons of the Bank under Chapter 14A of the Hong Kong Listing Rules, and the Agency Banking Businesses Framework Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.54(2) of the Hong Kong Listing Rules, if the Bank intends to substantially revise the terms of the continuing connected transactions, it will be required to re-comply with the relevant provisions of Chapter 14A of the Hong Kong Listing Rules in respect of the relevant continuing connected transactions. At the same time, as disclosed in the Prospectus, according to the Agency Banking Businesses Framework Agreement, the Bank and China Post Group's adjustments to the deposit agency rate of the Agency Renminbi Deposit Taking Business shall be submitted to the Shareholders' general meeting of the Bank for consideration.

3. Independent Financial Adviser

3.1. Purpose of this Report and the role of the independent financial adviser

Altus Capital, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (providing asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of the Hong Kong Special Administrative Region), has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; (ii) whether the Adjustment, and the entering into and the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the general meeting.

Altus Capital has not acted as an independent financial adviser or financial adviser in respect of any transactions of the Bank in the last two years from the date of the Circular. In accordance with Rule 13.84 of the Hong Kong Listing Rules, and given that the remuneration of Altus Capital for its engagement to opine on the Adjustment and the Supplemental Agreement is at market level and not conditional upon the successful passing of the resolution to be proposed at the general meeting, and that the engagement of Altus Capital is on normal commercial terms, Altus Capital is independent of and not associated with the Bank, its controlling Shareholder(s) or connected person(s).

3.2. Basis and assumptions of the opinion of the Independent Financial Adviser

In formulating our opinion, we have carried out the following work: (i) reviewing the relevant materials, including (1) the prospectus for the initial public offering of shares (A shares) of the Bank dated 6 November 2019; (2) the Prospectus for H shares of the Bank dated 14 September 2016; (3) the annual reports for A shares of each of the Big Four for the years 2017 to 2021 and their interim reports for 2022; (4) the annual reports for A shares and H shares of the Bank for the years 2019 to 2021 and its interim report for 2022; and (5) other materials provided by the Bank; (ii) communicating with all Independent Non-executive Directors; (iii) interviewing the relevant staff of the Bank to understand the operation of the pricing mechanism of the deposit agency fee; and (iv) reviewing the questions and concerns of small and medium investors in relation to the deposit agency fee on the SSE E-Interactive Platform.

We have also relied on the information, opinions and representations provided by the Bank, its Independent Non-executive Directors and the management. We have assumed that all the information, opinions and representations provided by the Bank, its Independent Non-executive Directors and the management in relation to the Bank were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and up to the Latest Practicable Date. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion.

4. Reasonableness of the current deposit agency fee

We have reviewed the latest annual reports of all the companies listed on the Hong Kong Stock Exchange which are engaged in banking business in Chinese mainland, and have not identified any similar arrangement to the “self-operated + agency” model of the Bank. Taking into account the uniqueness of the “self-operated + agency” model of the Bank in China’s banking industry, we set out below our analysis and views on the reasonableness of the current deposit agency fee from the quantitative and qualitative perspectives.

4.1. Quantitative analysis

Considering the uniqueness of the Bank’s “self-operated + agency” model in China’s banking industry, it is unlikely to find a comparable transaction in the market to assess the fairness of its pricing. Accordingly, we have adopted (i) the return on net assets approach; (ii) the internal fund transfer pricing approach; and (iii) the return on total assets approach, to assess the reasonableness of the current pricing level of the deposit agency fee from different perspectives.

4.1.1. Quantitative analysis: return on net assets approach

Return on net assets, also known as return on shareholders' equity, refers to the ratio of net profit to net assets, which reflects the level of return on shareholders' equity and is used to measure a company's ability to generate net income from its own capital and the efficiency of its use of shareholders' capital. The medium- to long-term return on net assets of companies within the same industry are generally comparable under the same market conditions and can therefore be used to consider the reasonableness of corporate revenues and corresponding expenses.

The mean of return on net assets of the Bank and the Big Four from 2017 to 2021 are set out in the table below:

Table 3

	2017	**2018**	**2019**	**2020**	**2021**	**Average**
	(%)	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
Mean of return on net assets of the Big Four	13.99	13.39	12.53	11.51	11.89	12.66
The Bank	13.07	12.31	13.10	11.84	11.86	12.44

Source: Based on the annual reports for A shares of the Big Four from 2017 to 2021.

The average return on net assets of the Big Four from 2017 to 2021 was 13.99%, 13.39%, 12.53%, 11.51% and 11.89%, respectively, while that of the Bank was 13.07%, 12.31%, 13.10%, 11.84% and 11.86% for the same period.

On a year-on-year basis, the Bank's return on net assets were lower in 2017 and 2018, but higher than its industry peers in 2019 and 2020, and was roughly at the average level of the industry in 2021. Based on the average value in the last five years (2017 to 2021), the Bank's five-year average of return on net assets (12.44%) was slightly lower than the average of the industry peers (12.66%).

Notwithstanding the fact that the Bank's return on net assets had fluctuated in individual years as compared to the industrial average, we noted that the Bank's return on net assets over a longer period (i.e. 2017 to 2021) fell within the range of the industrial average. Given the uniqueness of the Bank's "self-operated + agency" business model as compared to those of the Big Four's, and they are operating under the same market environment, we are of the view that, from a macro perspective, there is reasonable ground for the Bank to continue operating under the "self-operated + agency" model and pay relevant deposit agency fees at the current pricing arrangement.

4.1.2. Quantitative analysis: internal fund transfer pricing approach

Internal fund transfer pricing ("**FTP**") is a capital pricing mechanism applied to the transfer of funds between the internal fund centers and the business operating lines of commercial banks at a consideration, for the purpose of accounting for the cost of funds or revenue. From the operational perspective, for the deposits taken by the personal banking business of commercial banks, save for a portion of which is used for providing personal loans, the remaining funds will be offered to other business lines through the treasury at FTP prices. The personal banking business as the provider of funds in this process is similar to China Post Group's agency outlets as the provider of funds to the Bank. Hence, the funds provided by the personal banking business to the corporate banking business and the treasury business will earn internal interest income at FTP price, which, after deducting the costs of interest payment, can be used to calculate the FTP-based net yield, which can be a reference pricing rate for deposit agency fees.

Considering that it is stipulated in the Agency Banking Businesses Framework Agreement that the passive adjustment mechanism of the deposit agency fee will be triggered by the fluctuation of the average net interest spread of the Big Four, we believe that it is fair and reasonable to use data of the Big Four as comparable samples for the internal fund transfer pricing approach.

The formula for calculating FTP price and FTP-based net yield are as follows:

$$\text{FTP price (\%)} = \frac{\text{Internal interest income of the personal banking segment}}{\text{(Average balance of personal deposits} - \text{Average balance of personal loans)}}$$

FTP-based net yield (%) = FTP price (%) – Interest rate for personal deposits

The mean of estimated FTP prices of the Big Four for each of the years 2017 to 2021 are set out in the table below:

Table 4

	2017	**2018**	**2019**	**2020**	**2021**
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Mean of estimated FTP prices of the Big Four *(Note)*	3.19	3.12	3.52	3.92	3.80

Note: The estimated FTP prices are calculated based on public information from the annual reports for A shares of the Big Four from 2017 to 2021 using the assumptions and formula adopted in this Report, which may not represent actual financial performance of the Big Four.

The mean of estimated FTP-based net yields of the Big Four for each of the years 2017 to 2021 are set out in the table below:

Table 5

	2017 *(%)*	**2018** *(%)*	**2019** *(%)*	**2020** *(%)*	**2021** *(%)*
Mean of estimated FTP-based net yields *(Note)*	1.66	1.59	1.76	2.18	1.98

Note: The estimated FTP-based net yields are calculated based on public information from the annual reports for A shares of the Big Four from 2017 to 2021 using the assumptions and formula adopted in this Report, which may not represent actual financial performance of the Big Four.

As illustrated above, the average FTP-based net yields of the Big Four from 2017 to 2021 were 1.66%, 1.59%, 1.76%, 2.18% and 1.98% respectively, which were higher than the deposit agency fee rates of the Bank of 1.41%, 1.39%, 1.32%, 1.31% and 1.29% for the same period. From 2017 to 2021, the Bank's deposit agency fee rate had therefore been lower than the average FTP-based net yield of the Big Four. Accordingly, we believe that from the perspective of the internal fund transfer pricing approach, it is reasonable for the Bank to accept funds from the agency outlets at the current deposit agency fee rate.

4.1.3. Quantitative analysis: return on total assets approach

The income statements of the Big Four and the Bank mainly consist of five items: operating income, operating expenses, operating profit, total profit and net profit. Among these items, the key component of operating income is the net interest income[1], which is comprised of interest income and interest expenses, and the key component of operating expenses are business and management fees and credit impairment losses.

The return on total assets approach uses average total assets (the average of total assets as at the end of the year and the beginning of the year) as the denominator and the sum of interest expenses and operating income as the numerator to calculate the return on total assets. Considering that deposit agency fee is not applicable in the businesses and management fee of the Big Four, the balance portion, after deduction of the credit cost ratio and the operating cost ratio from the return on total assets calculated using the financial data of the Big Four, can be used to derive the cap on the sum of the deposit agency fee rate and the agency deposit interest rate ("**Cap on Agency Fee Rate and Interest Rate**") that the Bank can afford under the market operating environment of a comparable company. The result of Agency Fee Rate and Interest Rate Cap minus the Bank's agency deposit interest rate for the year will then derive the cap on the Bank's deposit agency fee rate.

1 In 2021, the net interest income of the Big Four accounted for more than 70% of the operating income, with an average ratio of approximately 74%.

The calculation formulas of return on total assets, credit cost ratio and operating cost ratio are as follows:

(A) Return on total assets $= \dfrac{\text{(operating income + interest expense)}}{\text{average total assets}}$

(B) Credit cost ratio $= \dfrac{\text{credit impairment losses}}{\text{average total assets}}$

(C) Operating cost ratio $= \dfrac{\text{business and management fees}}{\text{average total assets}}$

(D) Cap on Agency Fee Rate and Interest Rate = (A) return on total assets – (B) credit cost ratio – (C) operating cost ratio

(F) Cap on deposit agency fee rates = (D) Cap on Agency Fee Rate and Interest Rate – (E) agency deposit interest rate

Given that the financial data of a single year is affected by the operating conditions of some comparable companies or the market environment, in particular, the cross-cyclical characteristics of credit losses, we have used the average of the financial data of the Big Four in the last five years (2017-2021) to derive the Cap on Agency Fee Rate and Interest Rate (D) to mitigate the effects of fluctuation due to the market cycle on any single year. The average of the Cap on deposit agency fee rates (F) from 2017 to 2021 is estimated to be 1.32%[2], which is higher than the Composite Rate of 1.29% in 2021, indicating that there is reasonable room for adjustment of the current deposit agency fee rates, though the difference between the two rates is marginal.

The Big Four's operating cost ratio (C) includes expenses such as business expenses, staff expenses and depreciation of fixed assets incurred in establishing outlets by such banks, and their related expenses cannot be identified and eliminated based on publicly available information. Hence, when using the return on total assets approach to measure the cap on deposit agency fee rates, it is implied that the Bank has to pay for all the expenses relating to the self-operated outlets and the deposit agency fees in relation to all the deposits being taken. Accordingly, we believe that the Cap on Agency Fee Rate and Interest Rate (D) is a conservative estimate. After deducting the agency deposit interest rate (E), the average of the Cap on deposit agency fee rates (F) from 2017 to 2021 is still higher than the Composite Rate of 1.29% in 2021, which demonstrates that under the assumption of paying both related fees of self-operated outlets and the deposit agency fee, there remains certain profit margin for the Bank. From a longer duration perspective (i.e. 2017 to 2021) as mentioned above, we believe that the current deposit agency fee rate has a reasonable basis.

2 The average of the Cap on deposit agency fee rates (F) from 2017 to 2021 is calculated based on public information from the annual reports for A shares of the Big Four from 2017 to 2021 using the assumptions and formula adopted in this Report, which may not represent actual financial performance of the Big Four.

4.2. Qualitative analysis

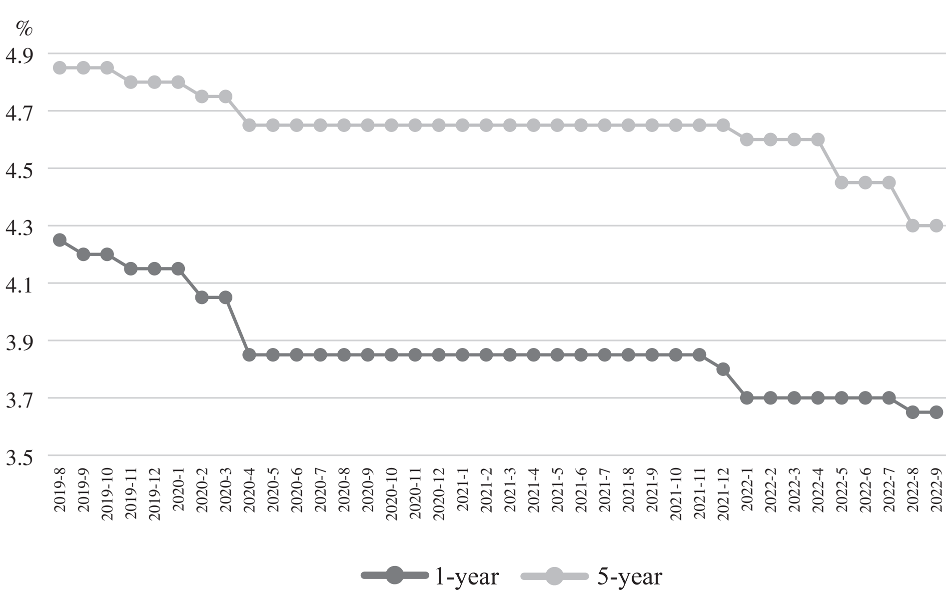
The strategic vision of the Bank is to build a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value. The Bank has set up self-operated outlets and agency outlets, which are the channels for its retail banking business to obtain deposits from retail customers. Generally, the establishment of self-operated outlets may incur expenses related to site selection with scientific methods, rental and maintenance of offices, employment of outlet staff and business operations, as well as depreciation of offices and equipment. Compared to the establishment of self-operated outlets, the Bank only needs to pay deposit agency fee for deposits received through agency outlets. If the deposit agency fee is reasonable, the agency outlets model will continuously attract deposits for the Bank, and help to promote synergistic development with China Post Group.

In addition to considering the direct cause that triggered the passive adjustment mechanism, namely the decreased average net interest spread of the Big Four, we have also taken into account the market background of declining loan interest rates in arriving at our opinion as the Independent Financial Adviser.

4.2.1. Downward movement of loan interest rates

With the further development of interest rate liberalisation, especially since 2022, loan interest rates have demonstrated a downward trend. The following chart sets out the historical trend of the one-year and five-year loan prime rate (LPR) since August 2019 when the LPR was quoted and calculated under the new formation mechanism.

Loan Prime Rate (LPR)



Source: The National Interbank Funding Center

Since deposits are a source of funds for the loans, controlling the cost of deposit-taking will help improve bank's profitability. As one of the costs of deposit-taking for the Bank, the deposit agency fee shall be adjusted accordingly in order to control the overall cost of deposit-taking against the downward trend in loan interest rate.

4.2.2. Downward movement of net interest spread

The average net interest spread of the Big Four is the benchmark triggering the passive adjustment mechanism for deposit agency fee of the Bank. According to the Agency Banking Businesses Framework Agreement, the passive adjustment mechanism will be triggered when the average net interest spread of the Big Four is less than 1.87% or higher than 3.05%. The average net interest spread of the Big Four for the latest fiscal year (2021) was 1.86%, which is less than 1.87%, triggering the passive adjustment mechanism of agency deposit fees under the Agency Banking Businesses Framework Agreement.

According to the 2022 interim reports of the Big Four, the average net interest spread of the Big Four in the first half of 2022 was 1.81%, further down from 1.86% of 2021.

4.2.3. Summary of qualitative analysis

Facing the downward trend of the market interest rates and the further decrease of the average net interest spread of the Big Four, the Bank needs to optimize and adjust the deposit agency fee to control its overall cost of deposit-taking.

4.3. Section conclusion

We noted from the above analysis through multiple dimensions, that: (i) although the passive adjustment mechanism has been triggered, the current deposit agency fee rate is still reasonable; (ii) the Composite Rate has decreased year-on-year since the listing of H shares in 2016; and (iii) the current rate of deposit agency fee has no material adverse effect on the financial performance of the Bank, and the return on net assets of the Bank is close to the industry average. Hence, we are of the view that there is a reasonable basis to maintain the current pricing mechanism and price level of deposit agency fee.

However, considering (i) the current environment and trend of interest rate; and (ii) the 2022 interim reports of the Big Four indicated their average net interest spread had continued to declined further in the first half of 2022, we believe that there is a need for the Bank to optimize and adjust the deposit agency fee, and the adjustment should be downward as a whole.

5. Adjustment plan

5.1. Details of the adjustment plan

Set out below the adjustment plan of the Scaled Fee Rates for deposit agency fees:

Table 6

Type	Before the Adjustment	After the Adjustment	Change
Demand deposits	2.30%	2.33%	Increase by 3BPs
Time-demand optional deposits	1.50%	1.50%	–
Call deposits	1.70%	1.70%	–
3-month time deposits	1.25%	1.25%	–
Half-year time deposits	1.15%	1.15%	–
1-year time deposits	1.08%	1.10%	Increase by 2BPs
2-year time deposits	0.50%	0.35%	Decrease by 15BPs
3-year time deposits	0.30%	0.10%	Decrease by 20BPs
5-year time deposits	0.20%	0.00%	Decrease by 20BPs
Daily aggregate cash (including cash in transit)	-1.50%	-1.50%	–

Having considered the historical composition of the agency deposits and the comprehensive cost of deposits with different maturities, the Bank and China Post Group intend to optimize and adjust the Scaled Fee Rate based on mutual consultation between the two parties, details of which are set out below:

(i) Demand deposits: The overall interest rates of demand deposits are low, and hence such deposits have a relative advantage in terms of comprehensive cost. However, the proportion[3] of demand deposits had been declining from approximately 32.60% in 2017 to approximately 26.69% in 2021, representing a cumulative decline of approximately 5.9 percentage points and an average annual decline of approximately 1.5 percentage points. It is proposed that the Scaled Fee Rate of demand deposits be increased by 3BPs to promote long-term development of demand deposits.

(ii) Time deposits: (a) The proportion of time deposits (i.e. with maturity terms of one year or above) had increased by approximately 7.3 percentage points from approximately 60.60% in 2017 to approximately 67.94% in 2021. Among the time deposits, the 3-year time deposits had recorded largest growth, the proportion of which increased from approximately 6.78% in 2017 to approximately 10.61% in 2021, representing a cumulative growth of approximately 3.8 percentage points and

3 The proportion of the daily average balance of the relevant type of deposits over total daily average balance of agency deposits.

an average annual growth of approximately 1.0 percentage points. The interest rate of 3-year time deposits was significantly higher than that of the 2-year and 1-year time deposits. Similarly, the interest rate of 2-year time deposits was also significantly higher than that of the 1-year time deposits. Accordingly, the Scaled Fee Rates of the 2-year, 3-year and 5-year time deposits are proposed to be lowered by 15BPs, 20BPs and 20BPs respectively, representing a significant decline of approximately 30%, 67% and 100% respectively; (b) Considering the interest cost of 1-year time deposits has a relative advantage, it is proposed that the Scaled Fee Rate of 1-year time deposits be increased by 2BPs to promote the optimization of the composition of time deposits and the migration among time deposits of different maturities, effectively lowering the interest rate and the comprehensive cost.

We have reviewed the composition of agency deposits of the Bank for the recent five years (2017-2021) and noted that the above changes in the proportion of the daily average balance of each type of agency deposits over total daily average balance of agency deposits are consistent with those stated in the "Letter from the Board". According to the information provided by the Bank, we noted that the comprehensive cost of demand deposits has a relative advantage. The interest rate of 3-year time deposits was significantly higher than that of the 2-year and 1-year time deposits. Similarly, the interest rate of 2-year time deposits was also significantly higher than that of the 1-year time deposits. Hence, 1-year time deposits having relative cost advantage. Accordingly, we are of the view that the optimization of Scaled Fee Rates under the adjustment plan can facilitate the intended growth in demand deposits which have lower interest rates, and can promote the optimization of the composition of time deposits and the intended favourable migration among time deposits with different maturities.

The adjusted Scaled Fee Rate shall be implemented from the effective date of the relevant Supplemental Agreement. For details of the Supplemental Agreement, please refer to the paragraph headed "D. Supplemental Agreement" under the "Letter from the Board" of the Circular.

According to the Agency Banking Businesses Framework Agreement, after the passive adjustment mechanism to the pricing of the deposit agency fee is triggered, year 2021 shall be updated as the year of the latest passive adjustment, with the 10 accounting years preceding the latest year where last passive adjustment was made being updated as 2012-2021 accordingly. The average annual net interest spread of the Big Four is 2.16% during the period, which will be used as the new benchmark for comparison. The Triggering Threshold of passive adjustment remains unchanged at 24%. On this basis, the passive adjustment will be triggered in the future when the average net interest spread of the Big Four is above 2.68% or below 1.64%.

5.2. *Possible effect of the adjustment plan on the Bank: using the composition of agency deposits in 2021 for illustration purpose*

Taking into account the uniqueness of the "self-operated + agency" operation model of the Bank in the banking industry in China, it is unlikely to find any comparable transactions in the market to assess its pricing, especially the fairness of the specific Scaled Fee Rate. Composite Rate is a reflection of the combined effect of the composition of agency deposits and Scaled Fee Rate. The effect of the adjusted Scaled Fee Rate on the overall deposit agency fees is therefore reflected on changes in Composite Rate. Therefore, if we calculate and compare the historical Composite Rate based on the adjusted Scaled Fee Rate, the result will be able to reflect the effect of the adjustment plan (if implemented) on deposit agency fees.

For illustration, based on the composition of agency deposits in 2021 and calculating using the adjusted Scaled Fee Rate, Composite Rate will decrease by 2BPs to 1.27% from 1.29%, while the deposit agency fees will decrease by approximately RMB1.006 billion to RMB92.370 billion from RMB93.376 billion. As a result, this may further improve the Bank's profitability. Details are as follows:

Table 7

RMB in millions, except for percentages

		Before the Adjustment		After the Adjustment		
Type	**Daily average balance**	**Scaled Fee Rate** *(%)*	**Deposit agency fee**	**Scaled Fee Rate** *(%)*	**Deposit agency fee**	**Change in level of deposit agency fee**
Demand deposits	1,934,703	2.30	44,498	2.33	45,079	Increased by 581
Time-demand optional deposits	14,133	1.50	212	1.50	212	Unchanged
Call deposits	44,300	1.70	753	1.70	753	Unchanged
3-month time deposits	140,764	1.25	1,760	1.25	1,760	Unchanged
Half-year time deposits	190,345	1.15	2,189	1.15	2,189	Unchanged
1-year time deposits	3,640,495	1.08	39,317	1.10	40,045	Increased by 728
2-year time deposits	510,853	0.50	2,554	0.35	1,788	Decreased by 766
3-year time deposits	769,341	0.30	2,308	0.10	769	Decreased by 1,539
5-year time deposits	4,895	0.20	10	0.00	0	Decreased by 10
Daily aggregate cash (including cash in transit)	14,995	1.50	(225)	1.50	(225)	Unchanged
Total	7,249,829	1.29	93,376	1.27	92,370	Decreased by 1,006

5.3. Possible effect of the adjustment plan on the Bank: taking into account the historical trend of the composition of agency deposits and total daily average balance as an example for illustration purpose

Composite Rate is affected by the Scaled Fee Rate. Composite Rate will also change with the change in composition of agency deposits. Therefore, the adjustment to the Scaled Fee Rate as set out in the adjustment plan will also affect the total amount of deposit agency fees and Composite Rate to varying degrees, in response to any changes in the composition of agency deposits. In order to analyse the possible effect of the adjustment plan in a holistic way, we use the combined effect of (i) change in composition of agency deposits; and (ii) growth of the total daily average balance of agency deposits, to measure the possible effect on the deposit agency fee based on the Scaled Fee Rate.

Regarding the "(i) change in composition of agency deposits", we use the average annual change in the proportion of the daily average balance of each type of agency deposit over total daily average balance of agency deposit for the recent years to adjust the composition of agency deposits (the "**Composition Adjustment**"). Set out below are the proportion of daily average balance of each type of agency deposit over total daily average balance for the latest five years (2017-2021).

Table 8

Type	**2017**	**2018**	**2019**	**2020**	**2021**	**Approximate average annual change (2017-2021)** ***(Note 1)***	**Approximate average annual change (2019-2021)** ***(Note 2)***
Demand deposits	32.6%	31.9%	29.6%	28.4%	26.7%	Decreased by 150BPs	Decreased by 140BPs
Time-demand optional deposits	0.3%	0.3%	0.3%	0.2%	0.2%	Unchanged	Unchanged
Call deposits	0.4%	0.4%	0.5%	0.5%	0.6%	Unchanged	Increased by 10BPs
3-month time deposits	2.7%	2.4%	2.1%	2.0%	1.9%	Decreased by 20BPs	Decreased by 10BPs
Half-year time deposits	3.4%	2.9%	2.7%	2.6%	2.6%	Decreased by 20BPs	Decreased by 10BPs
1-year time deposits	49.6%	50.3%	48.0%	48.4%	50.2%	Increased by 10BPs	Increased by 110BPs
2-year time deposits	3.6%	3.8%	4.7%	6.1%	7.0%	Increased by 90BPs	Increased by 120BPs
3-year time deposits	6.8%	7.5%	12.1%	11.7%	10.6%	Increased by 100BPs	Decreased by 70BPs
5-year time deposits	0.6%	0.3%	0.2%	0.1%	0.1%	Decreased by 10BPs	Unchanged
	100%	100%	100%	100%	100%		

Notes:

1. Mean of percentage of change between each year and the previous year within the period 2017 to 2021.

2. Mean of percentage of change between each year and the previous year within the period 2019 to 2021.

According to the information set out in the above table, the overall proportion of time deposits with maturity terms of one year or above had been on the rise in the recent five years, while the overall proportion of demand deposits and time deposits with maturity terms less than one year is on a declining trend, showing a trend or consumer preference towards "time deposit" account as a whole. This may be a partial reflection of the impact of the COVID-19 pandemic and economic downturn on depositors' choices of deposit composition and their expectations on interest income. Depositors' asset allocations may be more inclined towards time deposits which are safe and cost-effective. Considering that the trend of deposit composition during the latest three years (2019-2021) significantly deviated from that of 2017 to 2018 and, in particular, the magnitude of change in portion of the 1-year time deposit and the change in direction of the trend of the 3-year time deposit, we use the average annual change in composite of deposits for the latest three years (2019-2021) as the base data for Composition Adjustment.

Regarding the "(ii) the growth of the total daily average balance of agency deposits", we use the mean of the annual growth rate of the total daily average balance of agency deposit for the recent years to adjust the total daily average balance (the "**Total Balance Adjustment**"). Set out below are the total daily average balance and average annual growth rate.

Table 9

RMB in millions, except for percentages

Daily average balance of agency deposit	**2017**	**2018**	**2019**	**2020**	**2021**	**Approximate average annual growth rate (2017-2021) *(Note 1)***	**Approximate average annual growth rate (2019-2021) *(Note 2)***
Total	4,991,199	5,405,895	5,954,073	6,528,059	7,249,829	Increased by 9.8%	Increased by 10.4%

Notes:

1. Mean of the percentage change for each year as compared to the previous year within the period from 2017 to 2021.

2. Mean of the percentage change for each year as compared to the previous year within the period from 2019 to 2021.

As set out in the above table, the average annual growth rates of the total daily average balance for the latest five years (2017-2021) and the latest three years (2019-2021) are both around 10%, which is accordingly adopted as the percentage for Total Balance Adjustment. As illustrated above, if we conduct Total Balance Adjustment based on the total daily average balance of agency deposits for 2021 (approximately RMB7,249,829 million), the total daily average will be approximately RMB7,974,812 million.

Then we conducted a Total Balance Adjustment on the total daily average balance of agency deposits in 2021 and used it as the comparison benchmark. Based on the same adjusted total daily average balance, we conducted a Composition Adjustment on the composition of agency deposits based on the average annual change for the recent three years. With the adoption of the post-Adjustment Scaled Fee Rates, we set out below the impact to the deposit agency fee and the Composite Rate:

Table 10

RMB in millions, except for percentages

	Before the Adjustment			After the Adjustment			
Type	**Daily average balance**	**Scaled Fee Rate** *(%)*	**Deposit agency fee**	**Daily average balance**	**Scaled Fee Rate** *(%)*	**Deposit agency fee**	**Change in level of deposit agency fee**
Demand deposits	2,128,173	2.30	48,948	2,013,632	2.33	46,918	Decreased by 2,030
Time-demand optional deposits	15,546	1.50	233	12,821	1.50	192	Decreased by 41
Call deposits	48,730	1.70	828	54,904	1.70	933	Increased by 105
3-month time deposits	154,840	1.25	1,935	147,588	1.25	1,845	Decreased by 90
Half-year time deposits	209,380	1.15	2,408	204,816	1.15	2,355	Decreased by 53
1-year time deposits	4,004,545	1.08	43,249	4,094,206	1.10	45,036	Increased by 1,787
2-year time deposits	561,938	0.50	2,810	656,235	0.35	2,297	Decreased by 513
3-year time deposits	846,275	0.30	2,539	788,588	0.10	789	Decreased by 1,750
5-year time deposits	5,385	0.20	11	2,022	0.00	0	Decreased by 11
Daily aggregate cash (including cash in transit)	16,495	(1.50)	(247)	16,495	(1.50)	(247)	Unchanged
Total	7,974,812	1.29	102,714	7,974,812	1.25	100,118	Decreased by 2,596

As illustrated in the table above, the deposit agency fee in such scenario will be reduced by RMB2,596 million, which will improve the Bank's profitability and is in the interest of the Bank.

5.4. Possible effect of the adjustment plan on the Bank: optimisation of composition of deposits

Agency deposits have the general characteristics where the longer the term of the agency deposits, (i) the lower the Scaled Fee Rate will be; (ii) the higher the interest rate is to be paid; and (iii) the comprehensive cost rate will be correspondingly higher. Taking the 2-year and 3-year time agency deposits in 2021 as an example, according to the information provided by the Bank, the interest rate of 3-year time deposits was significantly higher than that of the 2-year and 1-year time deposits. Similarly, the interest rate of 2-year time deposits was also significantly higher than that of the 1-year time deposits. In the context of decreasing trend of loan interest rates, based on the cost of deposit with different maturities and the trend of changes in composition of deposits, the Adjustment will increase the Scaled Fee Rate for demand deposits with an objective to attract more demand deposit, slow down the decreasing trend of the portion of demand deposit, lower interest cost and stabilise the net interest spread. The Adjustment will also slightly increase the Scaled Fee Rate for 1-year time deposit and significantly lower the Scaled Fee Rate for time deposits with maturities of two to five years with an objective to facilitate the composition optimisation and migration among time deposits, effectively lower the interest cost and enhance the Bank's profitability.

5.5. Triggering mechanism

According to the Agency Banking Businesses Framework Agreement, after the passive adjustment mechanism to the pricing of the deposit agency fee is triggered, 2021 shall be updated as the year of the latest passive adjustment, with 10 fiscal years preceding the latest last passive adjustment being updated as 2012-2021. The average annual net interest spread of the Big Four is 2.16% during the period, which will be used as the new benchmark for comparison. The Triggering Threshold of passive adjustment remains unchanged at 24%.

According to the adjustment plan, the Triggering Threshold will remain unchanged at 24%. When the average annual net interest spread the Big Four fluctuates for ±0.52% from 2.16%, the passive adjustment will be triggered. As compared to the current triggering range of ±0.59% from 2.46%, the adjustment plan is able to trigger the passive adjustment by a smaller range of fluctuation of the market net interest spread, which entitles the Bank an opportunity to review the deposit agency fee rate with a more moderate change in market net interest spread in the future. This adheres to the Bank's strategy to optimize and adjust the deposit agency fee (whenever necessary) using the proactive adjustment and passive adjustment mechanisms in order to control its overall cost of deposit-taking and also in the interest of the Bank.

5.6. Reasonableness of the adjustment plan

We noted that:

(i) with reference to paragraph headed "4.1.3 Quantitative analysis: return on total assets approach" above, the average return on total assets of the Big Four from 2017 to 2021, net of credit cost rate, operation cost rate and interest rate of agency deposits of the Bank was 1.32%, while the average Composite Rate in the recent five years was 1.34%, indicating a difference of 2BP. Such difference fell into the same range of the decrease of the Composite Rate in 2021 based on the adjusted Scaled Fee Rates, which is considered as a reasonable reference for the adjustment;

(ii) under the passive adjustment mechanism of the deposit agency fee, as the new benchmark for comparison, the 10-year average net interest margin of the Big Four from 2012 to 2021 (2.16%) decreased by approximately 12.20% from the previous benchmark, being the 10-year average interest margin of the Big Four from 2006 to 2015 (2.46%). The Composite Rate for 2021 using adjusted Scaled Fee Rates is 1.27%, which is approximately 10.56% lower than the Composite Rate for 2015. Such decrease is close to the decrease in the benchmark;

(iii) as illustrated in paragraphs 5.2 and 5.3 above, under certain assumptions, adjustment plan could lower the Composite Rate and the level of deposit agency fee, which is in the interest of the Bank;

(iv) as illustrated in paragraphs 5.1 and 5.4, the adjustment plan sets different adjustment ranges to the respective Scaled Fee Rate, which will help to optimize the composition of the deposit taken by agency outlets and actively respond to the trend towards "time deposits" account in the recent years; and

(v) as illustrated in paragraph 5.5, the Triggering Threshold will remain unchanged at 24%, which can trigger the passive adjustment by a smaller range of fluctuation of the market net interest spread, which entitles the Bank an opportunity to review the deposit agency fee rate from more moderate change in market net interest spread in the future. This adheres to the Bank's strategy to optimize and adjust the deposit agency fee (whenever necessary) in order to control its overall cost of deposit-taking and also in the interest of the Bank.

Accordingly, we are of the view that the adjustment plan and the adjusted deposit agency fee level are made on a reasonable basis.

CONCLUSION ON THE REPORT AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the current agency deposit fee rate has a reasonable basis. That said, considering: (i) the current interest rate environment and interest rate trend; (ii) the downward trend of the average net interest spread of the Big Four, we consider that there is a fair and reasonable basis for the Adjustment due to the Event triggering the Bank and China Post Group to negotiate the deposit agency fee rates. The Adjustment is in the interest of the Bank to actively respond to the market trend of term deposits in recent years, to optimize the deposit composition, to lower the interest cost and to promote the long-term healthy development of the Agency Deposit Taking Business. Hence, we are of the view that (i) the Supplemental Agreement was entered into in the ordinary and usual course of business of the Bank on normal commercial terms; and (ii) the Adjustment, and the entering into and the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the proposal regarding the Adjustment and the Supplemental Agreement to be proposed at the general meeting.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Sean Pey Chang
Executive Director

*Mr. Chang Sean Pey ("**Mr. Chang**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, none of the Directors, supervisors nor the senior executives of the Bank had any interests or short positions in the Shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the Part XV of the SFO), which were required to be notified to the Bank and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which Directors, supervisors, senior executives or their respective associates were deemed or taken to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Bank and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which will not expire within one year or terminated by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business (other than businesses of the Group) which competes or may compete, whether directly or indirectly, with that of the Bank (if they are controlling Shareholders, such interest shall be disclosed in accordance with the requirements of Rule 8.10 of the Hong Kong Listing Rules).

5. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, there is no material adverse change in the financial position or operations of the Bank since December 31, 2021, being the date up to which the latest published audited accounts of the Bank were made.

6. INTERESTS IN THE GROUP'S ASSETS OR MAJOR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in any assets which have been, since December 31, 2021 (being the date up to which the latest published audited financial statements of the Group were made), acquired or disposed of or leased to any members of the Group, or are proposed to be acquired or disposed of or leased to any members of the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements, effective at the date of this circular, which is significant to the business of the Group.

7. DIRECTORS' EMPLOYMENT WITH SHAREHOLDERS

As at the Latest Practicable Date, the following Directors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of the Bank which are required to be notified to the Bank pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name	Positions held in specific companies
Liu Jianjun	Vice President of China Post Group
Zhang Xuewen	Assistant President of China Post Group
Han Wenbo	Board Member of China Post Group
Chen Donghao	Board Member of China Post Group
Ding Xiangming	Vice President and Secretary to the Board of Directors of SIPG

8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert which has given its opinions or advices which are contained in this circular:

Name	Qualifications
Altus Capital Limited	A corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus Capital issued a letter dated October 14, 2022, regarding its recommendation to the Independent Board Committee and Independent Shareholders for the purpose of inclusion in this circular. As at the Latest Practicable Date, Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

9. EXPERT'S INTERESTS

As at the Latest Practicable Date, Altus Capital:

(a) did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group since December 31, 2021, being the date to which the latest audited financial statements of the Group were made up, or was proposed to be acquired, or disposed of by, or leased to any member of the Group; and

(b) was not interested in the shares of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents will be posted on the websites of the Hong Kong Stock Exchange and the Bank within 14 days (both days inclusive) from the date of this circular:

(a) Agency Banking Businesses Framework Agreement;

(b) Supplemental Agreement; and

(c) Written consent from Altus Capital as set out in this appendix.