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# POSTAL SAVINGS BANK OF CHINA CO., LTD. 中國郵政儲蓄銀行股份有限公司

*(A joint stock limited liability company incorporated in the People's Republic of China)*

**(Stock Code: 1658)**

**(Stock Code of Preference Shares: 4612)**

## ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS AND PROPOSED ANNUAL CAPS FROM 2022 TO 2024

### SUMMARY

References are made to the announcements of the Bank dated October 30, 2018, March 25, 2020 and May 26, 2021 in relation to, among others, the renewal of the Land Use Rights and Properties Leasing Framework Agreement dated September 2, 2016 and the Comprehensive Services Framework Agreement dated September 6, 2016 by the Bank and China Post Group (both renewal periods being three years from January 1, 2019 to December 31, 2021), and setting the annual caps of several sub-items under the Land Use Rights and Properties Leasing Framework Agreement and the Comprehensive Services Framework Agreement.

On October 28, 2021, the Bank renewed the Land Use Rights and Properties Leasing Framework Agreement (the “**Land Use Rights and Properties Leasing Framework Agreement**”) and the Comprehensive Services Framework Agreement (the “**Comprehensive Services Framework Agreement**”) with China Post Group. Pursuant to the Land Use Rights and Properties Leasing Framework Agreement, China Post Group and/or its subsidiaries and the Bank may lease assets (including certain properties and ancillary equipment) to each other. Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its subsidiaries and the Bank may provide services or goods to each other.

China Post Group is the Bank's controlling shareholder and holds approximately 67.37% of the total issued ordinary share capital of the Bank as at the date of this announcement. Accordingly, China Post Group and its subsidiaries constitute connected persons of the Bank under Chapter 14A of the Hong Kong Listing Rules. The Land Use Rights and Properties Leasing Framework Agreement and the Comprehensive Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the transactions under (1) the Land Use Rights and Properties Leasing Framework Agreement concerning (i) leasing of certain properties and ancillary equipment by China Post Group and/or its subsidiaries to the Bank; and (2) the Comprehensive Services Framework Agreement concerning (i) sales of philatelic items and provision of mailing services, (ii) sales of goods other than philatelic items, (iii) provision of marketing services of deposits and other businesses, and (iv) provision of labor services by China Post Group and/or its subsidiaries to the Bank, as well as (v) provision of bancassurance services, (vi) provision of agent sales (distribution) services of precious metals and (viii) provision of labor services by the Bank to China Post Group and/or its subsidiaries exceeds 0.1%, but does not exceed 5% as specified in Chapter 14A of the Hong Kong Listing Rules, the aforementioned transactions are subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempt from the independent shareholders' approval requirements.

As the highest applicable percentage ratio in respect of the annual caps for the transactions under (1) the Land Use Rights and Properties Leasing Framework Agreement concerning (ii) leasing of certain properties and ancillary equipment by the Bank to China Post Group and/or its subsidiaries and (2) the Comprehensive Services Framework Agreement concerning (vii) sales of production materials and other goods by the Bank to China Post Group and/or its subsidiaries is less than 0.1%, the aforementioned transactions are exempted from the annual reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **BACKGROUND**

References are made to the announcements of the Bank dated October 30, 2018, March 25, 2020 and May 26, 2021 in relation to, among others, the renewal of the Land Use Rights and Properties Leasing Framework Agreement dated September 2, 2016 and the Comprehensive Services Framework Agreement dated September 6, 2016 by the Bank and China Post Group (both renewal periods being three years from January 1, 2019 to December 31, 2021), and setting the annual caps of several sub-items under the Land Use Rights and Properties Leasing Framework Agreement and the Comprehensive Services Framework Agreement.

On October 28, 2021, the Bank renewed the Land Use Rights and Properties Leasing Framework Agreement and the Comprehensive Services Framework Agreement with China Post Group. Pursuant to the Land Use Rights and Properties Leasing Framework Agreement, China Post Group and/or its subsidiaries and the Bank may lease assets (including certain properties and ancillary equipment) to each other. Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its subsidiaries and the Bank may provide services or goods to each other.

Particulars of the above agreements are as follows:

## (1) Continuing Connected Transactions in relation to Land Use Rights and Properties Leasing

**Date:** October 28, 2021

**Parties:** The Bank and China Post Group

**Term:** According to the agreement, the agreement shall become effective from January 1, 2022 and shall be valid until December 31, 2024. The expiration date will be automatically extended for a further period of three years if both parties have no objection and it complies with the requirements of the regulatory rules at place in which the shares of the Bank are listed, and the extension shall be made once only.

Under the Land Use Rights and Properties Leasing Framework Agreement, the services provided by China Post Group and/or its subsidiaries to the Bank, which constitute continuing connected transactions subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, include:

- Leasing of certain properties and ancillary equipment, please refer to “(1)(i) Leasing of Certain Properties and Ancillary Equipment by China Post Group and/or Its Subsidiaries to the Bank” in this announcement.

Under the Land Use Rights and Properties Leasing Framework Agreement, the services provided by the Bank to China Post Group and/or its subsidiaries, which constitute continuing connected transactions exempted from the annual reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules, include:

- Leasing of certain properties and ancillary equipment, please refer to “(1)(ii) Leasing of Certain Properties and Ancillary Equipment by the Bank to China Post Group and/or Its Subsidiaries” in this announcement.

### (i) *Leasing of Certain Properties and Ancillary Equipment by China Post Group and/or Its Subsidiaries to the Bank*

Pursuant to the Land Use Rights and Properties Leasing Framework Agreement, China Post Group and/or its subsidiaries have agreed to lease certain of their land use rights, properties and ancillary equipment to the Bank.

#### *Reasons for the Transactions*

The Bank leases certain properties and ancillary equipment of China Post Group and/or its subsidiaries for outlets or office. Leasing of the aforesaid properties and ancillary equipment meets the Bank’s business needs, and relocation would cause unnecessary suspension of business and expenses.

## *Pricing Policies*

China Post Group and/or its subsidiaries lease certain properties and ancillary equipment to the Bank at rental rates which shall be determined with reference to the (1) leased floor area, geographical location and surrounding areas; (2) prevailing market rental rates of the same or similar properties in the same area; and (3) estimated changes in prevailing market rental rates in the future. Of which, market rental rates are the rates for the leasing of similar assets by independent third parties in the same or adjacent area on normal commercial terms.

## *Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
Leasing of certain properties and ancillary equipment by China Post Group and/or its subsidiaries to the Bank	1,008	1,000	489	1,300	1,440	1,490	1,530

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

## *Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the following factors:

- In terms of leasing of properties: the leasing prices in the next three years are comprehensively predicted based on factors including the above pricing policies, total area of the leasing properties, economic environment of the area where the leasing properties are located as well as market price, and the caps are estimated accordingly. The leasing price is evaluated by a third party appraiser.

- In terms of leasing of equipment: historical transaction amounts, market prices, expected future business development and possible new lease in the future are key factors taken into consideration to estimate the caps for the next three years.

***(ii) Leasing of Certain Properties and Ancillary Equipment by the Bank to China Post Group and/or Its Subsidiaries***

Pursuant to the Land Use Rights and Properties Leasing Framework Agreement, the Bank has agreed to lease certain of its land use rights, properties and ancillary equipment to China Post Group and/or its subsidiaries.

*Reasons for the Transactions*

China Post Group and/or its subsidiaries lease certain properties and ancillary equipment of the Bank for outlets or office. Leasing of the aforesaid properties and ancillary equipment is conducive to increasing the rental income of the Bank and optimizing the resources allocation.

*Pricing Policies*

The Bank leases certain properties and ancillary equipment to China Post Group and/or its subsidiaries at rental rates which shall be determined with reference to the (1) leased floor area, geographical location and surrounding areas; (2) prevailing market rental rates of the same or similar properties in the same area; and (3) estimated changes in prevailing market rental rates in the future. Of which, market rental rates are the rates for the leasing of similar assets by independent third parties in the same or adjacent area on normal commercial terms.

*Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
Leasing of certain properties and ancillary equipment by the Bank to China Post Group and/or its subsidiaries	85	82	41	200	200	200	200

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

*Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the following factors:

- In terms of leasing of properties: the leasing price in the next three years is comprehensively predicted based on factors including the above pricing policies, total area of the leasing properties, economic environment of the area where the leasing properties are located and market price, and it is expected that the caps for the next three years will remain stable in general. The leasing price is evaluated by a third party appraiser.
- In terms of leasing of equipment: historical transaction amounts, market prices and expected future business development are key factors taken into consideration, and it is expected that there will be no great changes to the caps for the next three years.

**(2) Continuing Connected Transactions in relation to Comprehensive Services**

**Date:** October 28, 2021

**Parties:** The Bank and China Post Group

**Term:** According to the agreement, the agreement shall become effective from January 1, 2022 and shall be valid until December 31, 2024. The expiration date will be automatically extended for a further period of three years if both parties have no objection and it complies with the requirements of the regulatory rules at place in which the shares of the Bank are listed, and the extension shall be made once only.

Under the Comprehensive Services Framework Agreement, the services provided by China Post Group and/or its subsidiaries to the Bank, which constitute continuing connected transactions subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, include:

- Sales of philatelic items and provision of mailing services, please refer to “(2)(i) Sales of Philatelic Items and Provision of Mailing Services by China Post Group and/or Its Subsidiaries to the Bank” in this announcement;
- Sales of goods other than philatelic items, please refer to “(2)(ii) Sales of Goods Other Than Philatelic Items by China Post Group and/or Its Subsidiaries to the Bank” in this announcement;

- Provision of marketing services of deposits and other businesses, please refer to “(2)(iii) Provision of Marketing Services of Deposits and Other Businesses by China Post Group and/or Its Subsidiaries to the Bank” in this announcement; and
- Provision of labor services, please refer to “(2)(iv) Provision of Labor Services by China Post Group and/or Its Subsidiaries to the Bank” in this announcement.

Under the Comprehensive Services Framework Agreement, the services provided by the Bank to China Post Group and/or its subsidiaries, which constitute continuing connected transactions subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, include:

- Provision of bancassurance services, please refer to “(2)(v) Provision of Bancassurance Services by the Bank to China Post Group and/or Its Subsidiaries” in this announcement;
- Provision of agent sales (distribution) services of precious metals, please refer to “(2)(vi) Provision of Agent Sales (Distribution) Services of Precious Metals by the Bank to China Post Group and/or Its Subsidiaries” in this announcement; and
- Provision of labor services, please refer to “(2)(viii) Provision of Labor Services by the Bank to China Post Group and/or Its Subsidiaries” in this announcement.

Under the Comprehensive Services Framework Agreement, the services provided by the Bank to China Post Group and/or its subsidiaries, which constitute continuing connected transactions exempted from the annual reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules, include:

- Sales of production materials and other goods, please refer to “(2)(vii) Sales of Production Materials and Other Goods by the Bank to China Post Group and/or Its Subsidiaries” in this announcement.

***(i) Sales of Philatelic Items and Provision of Mailing Services by China Post Group and/or Its Subsidiaries to the Bank***

Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its subsidiaries may sell items such as stamps, stamp albums and customized souvenirs that contain issued stamps for marketing of the Bank, and provide general post and EMS mailing services to the Bank.

### *Reasons for the Transactions*

The Bank purchases philatelic items including stamps and stamp albums from China Post Group and/or its subsidiaries in the ordinary and usual course of business for marketing and gifts for customers. Meanwhile, the Bank has also been using the delivery services provided by China Post Group and/or its subsidiaries in the ordinary and usual course of business.

### *Pricing Policies*

The Bank purchases philatelic items from China Post Group and/or its subsidiaries or uses their mailing services at the same prices as those at which the independent third party consumers purchase such philatelic items or obtain such mailing services from China Post Group and/or its subsidiaries in the open market.

### *Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
Sales of philatelic items and provision of mailing services by China Post Group and/or its subsidiaries to the Bank	188	171	57	400	400	440	490

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

### *Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the following factors:

- In terms of sales of philatelic items: as the needs for business development of the Bank increase, it is expected that the amount of the purchase of philatelic items from China Post Group will increase at an average annual rate of about 10% in the next three years.



- In terms of mailing services: as the scale of business of the Bank, mainly the scale of credit card issuance, develops rapidly, it is expected that the amount of mailing services will increase at an average annual rate of about 10% in the next three years.

**(ii) Sales of Goods Other Than Philatelic Items by China Post Group and/or Its Subsidiaries to the Bank**

Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its subsidiaries may sell certain goods other than philatelic items to the Bank, mainly including items for reward points redemption by customers, promotional items and other materials related to banking business.

*Reasons for the Transactions*

The Bank purchases certain goods other than philatelic items from China Post Group and/or its subsidiaries in the ordinary and usual course of business, principally including items for reward points redemption by customers, promotional items and other materials related to banking business (including goods required for business premises such as workwear and fire safety equipment, business material supplies such as business brochures and important blank vouchers, and office supplies such as office stationery, newspaper, magazines and books, of which China Post Group or its subsidiaries is entrusted with the centralized procurement).

*Pricing Policies*

The Bank purchases certain goods other than philatelic items from China Post Group and/or its subsidiaries according to the same terms as those on which the Bank and the independent third party consumers purchase such goods in the open market.

*Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
Sales of goods other than philatelic items by China Post Group and/or its subsidiaries to the Bank	248	394	131	1,000	1,150	1,380	1,650

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

*Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the following factors:

- In terms of items for reward points redemption: in order to support the rapid development of credit card business, the Bank has actively broadened the point redemption channels and enriched marketing activities. After considering the credit card business development, the increase in the scale of consumption and the growing need of reward points redemption by customers in the future, as well as point redemption rate and average points per account, it is expected that the business amount will grow at an average annual rate of about 25% in the next three years.
- In terms of promotional items and goods related to banking business: since the historical growth of the business was relatively stable, having considered the future development plan, it is expected that the business amount will remain stable in general in the next three years.

***(iii) Provision of Marketing Services of Deposits and Other Businesses by China Post Group and/or Its Subsidiaries to the Bank***

Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its subsidiaries may provide marketing services of deposits and other businesses to the Bank, mainly including marketing services for corporate deposits, credit business and credit cards.

*Reasons for the Transactions*

China Post Group and/or its subsidiaries provide marketing services of deposits and other businesses to the Bank. Since agency outlets are not permitted to conduct corporate deposit and asset businesses under the relevant regulations, agency outlets will refer corporate clients, credit clients and other clients to the Bank's directly-operated outlets.

## Pricing Policies

The fees of marketing services of deposits and other businesses provided by China Post Group and/or its subsidiaries to the Bank are determined based on the following principles:

- For marketing services of deposits business provided by China Post Group and/or its subsidiaries to the Bank, the fees are determined based on arm's length negotiations between the parties with reference to the interest rate payable by the Bank to the corporate clients and the rate of return of such funds for the Bank.
- For marketing services of credit business provided by China Post Group and/or its subsidiaries to the Bank, the fees are determined based on arm's length negotiations between the parties with reference to the comprehensive cost rate of loan business of the Bank and the rate of return of such business for the Bank.

## Historical Figures and Proposed Annual Caps

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
Provision of marketing services of deposits and other businesses by China Post Group and/or its subsidiaries to the Bank	423	569	286	1,500	1,490	1,950	2,570

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

## Basis for the Proposed Annual Caps

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the following factors:

- In terms of marketing services of corporate deposits: considering mainly the growth rate of the corporate deposit balance of the Bank in the past three years, as well as the future development plan of corporate deposit business, it is expected that the corporate deposit of the Bank will grow steadily at an average annual growth rate of about 20% in the next three years.

- In terms of marketing services of credit business: in order to give full play to the synergistic advantages of postal enterprises, the Bank is expected to launch new loan business types to be marketed by China Post Group as an agent. After considering comprehensively the historical development scale, life cycle and future business development plan of the products, as well as the agreed rate between both parties and other factors, it is estimated that the average annual growth rate of the amount of marketing fees for loans in the next three years will be about 40%.
- In terms of marketing services of credit card business: the Bank will continue to strengthen the development of credit cards in the future and give full play to the synergistic advantages of postal enterprises. After considering comprehensively the plan on credit card issuance in the future and the enhancement in China Post Group's efforts on credit card marketing, it is expected that the average annual growth rate of marketing fees for credit cards in the next three years will be about 65%.

***(iv) Provision of Labor Services by China Post Group and/or Its Subsidiaries to the Bank***

Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its subsidiaries provide labor services to the Bank, including cash transportation and storage services, equipment maintenance services, advertising, property services, training and other general business services.

*Reasons for the Transactions*

Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its subsidiaries provide various banking related labor services and other general business services to the Bank. In particular, the banking related labor services include cash transportation and storage services, equipment maintenance services, advertising, training and other services.

*Pricing Policies*

The fees of the labor services provided by China Post Group and/or its subsidiaries to the Bank are determined according to the following principles:

- In respect of cash transportation and storage services provided by independent third parties engaged by China Post Group and/or its subsidiaries, the Bank and China Post Group and/or its subsidiaries share the relevant expenses in proportion to their respective numbers of outlets using such services.
- In respect of cash transportation and storage services provided by China Post Group and/or its subsidiaries, the Bank and China Post Group and/or its subsidiaries determine the settlement price with reference to the prevailing

market price. In the absence of market price for such services, the Bank and China Post Group and/or its subsidiaries share the relevant costs in proportion to their respective numbers of outlets using such services.

- In respect of equipment maintenance services provided by independent third parties engaged by China Post Group and/or its subsidiaries, the Bank and China Post Group and/or its subsidiaries share the relevant expenses in proportion to their respective numbers of outlets or personnel using such services.
- In respect of equipment maintenance services provided by China Post Group and/or its subsidiaries, the Bank and China Post Group and/or its subsidiaries share the relevant costs in proportion to their respective numbers of outlets using such services.
- The costs of property services, advertising, training and other services are determined by the parties based on arm's length negotiation with reference to the prevailing market price.

#### *Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
Provision of labor services by China Post Group and/or its subsidiaries to the Bank	887	856	422	1,350	1,600	1,790	1,980

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

#### *Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the following factors:

- In terms of cash transportation and storage services: given that the historical transaction amounts have stabilized, it is estimated that such transaction amount will remain stable in general for the next three years.

- In terms of equipment maintenance services: given that the growth in historical transaction amounts is relatively stable, it is estimated that such transaction amount will grow at an average annual rate of about 15% for the next three years.
- In terms of property, training and other general business services: mainly based on the fact that with the increase in the number of staff, the expansion in the office space and the increase in training, demand for property, training and other general business services will continue to increase, and the market prices of these types of services will continue to rise, it is therefore expected that the property, training and other general business service charges payable by the Bank will increase at an average annual rate of about 15% for the next three years.

(v) ***Provision of Bancassurance Services by the Bank to China Post Group and/or Its Subsidiaries***

Pursuant to the Comprehensive Services Framework Agreement, the Bank provides bancassurance services to China Post Group and/or its subsidiaries.

*Reasons for the Transactions*

The Bank provides bancassurance services to China Post Group and/or its subsidiaries in the ordinary and usual course of business. The Bank sells certain insurance products of China Post Group and/or its subsidiaries leveraging the Bank's nationwide network as an agent and charges handling fees.

*Pricing Policies*

The Bank provides bancassurance services to China Post Group and/or its subsidiaries according to the same terms as those on which the Bank provides similar services to the independent third parties.

## *Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
	Provision of bancassurance services by the Bank to China Post Group and/or its subsidiaries	203	347	608	1,200	1,500	1,750

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

### *Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the development expectation of China Post Life Insurance Company Limited, which is also controlled by China Post Group along with the Bank. According to the premium growth of new policies and changes in the insurance structure, it is expected that the handling fees charged by the Bank will grow steadily at an average annual rate of about 15% in the next three years.

### **(vi) *Provision of Agent Sales (Distribution) Services of Precious Metals by the Bank to China Post Group and/or Its Subsidiaries***

Pursuant to the Comprehensive Services Framework Agreement, the Bank provides agent sales (distribution) services of precious metals to China Post Group and/or its subsidiaries.

### *Reasons for the Transactions*

The Bank provides agent sales (distribution) services of precious metals to China Post Group and/or its subsidiaries in the ordinary and usual course of business. The Bank sells (distributes) certain precious metal products of China Post Group and/or its subsidiaries leveraging the Bank's nationwide network as an agent. The Bank receives handling fees for agent sales services of precious metals and pays for the distribution services of precious metal products.

## *Pricing Policies*

The Bank provides agent sales (distribution) services of precious metals to China Post Group and/or its subsidiaries according to the same terms as those on which the Bank provides similar services to the independent third parties.

## *Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
Provision of agent sales (distribution) services of precious metals by the Bank to China Post Group and/or its subsidiaries	204	261	15	600	550	700	900

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

## *Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the business development planning. The Bank will vigorously develop agent sales (distribution) business of precious metals and scale up physical precious metal business. Among them, precious metal products with stamp cultural characteristics are major products, the business of which will grow rapidly. On this basis, it is estimated that the caps for the next three years will grow at an average annual rate of about 25%.

## ***(vii) Sales of Production Materials and Other Goods by the Bank to China Post Group and/or Its Subsidiaries***

Pursuant to the Comprehensive Services Framework Agreement, the Bank sells production materials and other goods to China Post Group and/or its subsidiaries, including business brochures and important blank vouchers.



### *Reasons for the Transactions*

The Bank sells production materials and other goods to China Post Group and/or its subsidiaries in the ordinary and usual course of business, such as business brochures and important blank vouchers used in the ordinary and usual course of business.

### *Pricing Policies*

The fees of sales of production materials such as business brochures and important blank vouchers and other goods by the Bank to China Post Group and/or its subsidiaries are determined according to the same terms as those on which the Bank provides similar production materials and other goods to the independent third parties.

### *Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
	Sales of production materials and other goods by the Bank to China Post Group and/or its subsidiaries	56	83	32	200	220	250

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

### *Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the business development planning of the Bank. The annual caps for the next three years are arrived at on the basis of ensuring the coordinated business development in the future and the stable operation of the Bank:

- In terms of production materials such as business brochures and important blank vouchers: with the future business development planning and growth fully taken into consideration, an average annual growth rate of about 10% is used to estimate the annual caps for the next three years.

- In terms of other goods: based on the historical transaction amounts, an average annual growth rate of about 10% is used to estimate the annual caps for the next three years.

***(viii) Provision of Labor Services by the Bank to China Post Group and/or Its Subsidiaries***

Pursuant to the Comprehensive Services Framework Agreement, the Bank provides labor services to China Post Group and/or its subsidiaries, including cash transportation and storage services, equipment maintenance services, agent sales services of products of the collective asset management plan, custody services, fund depository services, cash management services, acquiring services and other general business services.

*Reasons for the Transactions*

The Bank provides labor services to China Post Group and/or its subsidiaries in the ordinary and usual course of business. The Bank provides cash transportation and storage services and equipment maintenance services, sells certain products of the collective asset management plan of China Post Group and/or its subsidiaries leveraging the Bank's nationwide network as an agent and charges handling fees, and relevant business departments of the Bank provide fund depository services, custody services, cash management services, acquiring services and other general business services and charge handling fees, which are conducive to the increase in various business income of the Bank.

*Pricing Policies*

The fees of the labor services provided by the Bank to China Post Group and/or its subsidiaries are determined according to the following principles:

- In respect of cash transportation and storage services provided by independent third parties engaged by the Bank, the Bank and China Post Group and/or its subsidiaries share the relevant expenses in proportion to their respective numbers of outlets using such services.
- In respect of cash transportation and storage services provided by the Bank, the Bank and China Post Group and/or its subsidiaries determine the settlement price with reference to the prevailing market price. In the absence of market price for such services, the Bank and China Post Group and/or its subsidiaries share the relevant costs in proportion to their respective numbers of outlets using such services.
- In respect of equipment maintenance services provided by independent third parties engaged by the Bank, the Bank and China Post Group and/or its subsidiaries share the relevant expenses in proportion to their respective numbers of outlets or people using such services.

- In respect of equipment maintenance services provided by the Bank, the Bank and China Post Group and/or its subsidiaries share the relevant costs in proportion to their respective numbers of outlets using such services.
- In respect of agent sales services of products of the collective asset management plan, custody services, fund depository services, cash management services and acquiring services provided by the Bank, the fees are determined by the Bank based on arm's length negotiation between parties with reference to the prevailing market price.

*Historical Figures and Proposed Annual Caps*

	Historical amounts for the year ended December 31 (in millions of RMB)		Historical amount for the six months ended June 30 (in millions of RMB)	Approved annual cap for the year ending December 31 (in millions of RMB)	Proposed annual caps for the year ending December 31 (in millions of RMB)		
	2019	2020	2021	2021	2022	2023	2024
	Provision of labor services by the Bank to China Post Group and/or its subsidiaries	96	134	50	300	350	400

As at the date of this announcement, the actual transaction amounts for previous years and this year have not exceeded their respective annual caps which will expire on December 31, 2021.

*Basis for the Proposed Annual Caps*

In arriving at the above annual caps, the Directors have considered the historical figures for the similar transactions and the following factors:

- In terms of cash transportation and storage services and equipment maintenance services: given that the growth in historical transaction amounts is relatively stable, it is estimated that such caps for the next three years will grow steadily at an average annual rate of about 10%.
- In terms of agent sales services of products of the collective asset management plan, custody services and other aspects: in arriving at the above annual caps, the historical figures and business development planning of the Bank have been taken

into consideration. On the basis of ensuring the coordinated business development in the future and the stable operation of the Bank, it is estimated that the average annual growth rate of the caps for the next three years is about 20%.

## **INTERNAL CONTROL MEASURES**

The Bank has a series of internal control rules in place to ensure that the above framework agreements comply with the requirements of the Hong Kong Listing Rules, which mainly include:

- The external auditors of the Bank conduct annual year-end audit, and express their opinions in accordance with the requirements of the Hong Kong Listing Rules on issues including the pricing policies and the annual caps of the Bank regarding the continuing connected transactions during the financial year and issue relevant letters to the Board of Directors.
- The independent non-executive Directors of the Bank will review and confirm the continuing connected transactions in the Bank's annual report in accordance with the Hong Kong Listing Rules.
- The Bank has established a sound management system for connected transactions, improved the operating mechanism for connected transactions and enhanced the management of connected transactions in compliance with the regulatory requirements of The Stock Exchange of Hong Kong Limited and China Banking and Insurance Regulatory Commission and pursuant to the Measures for the Administration of Connected Transactions of Postal Savings Bank of China (2019 Revision).

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

China Post Group is the Bank's controlling shareholder and holds approximately 67.37% of the total issued ordinary share capital of the Bank as at the date of this announcement. Accordingly, China Post Group and its subsidiaries constitute connected persons of the Bank under Chapter 14A of the Hong Kong Listing Rules. The Land Use Rights and Properties Leasing Framework Agreement and the Comprehensive Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the transactions under (1) the Land Use Rights and Properties Leasing Framework Agreement concerning (i) leasing of certain properties and ancillary equipment by China Post Group and/or its subsidiaries to the Bank; and (2) the Comprehensive Services Framework Agreement concerning (i) sales of philatelic items and provision of mailing services, (ii) sales of goods other than philatelic items, (iii) provision of marketing services of deposits and other businesses, and (iv) provision of labor services by China Post Group and/or its subsidiaries to the Bank, as well as (v) provision of bancassurance services, (vi) provision of agent sales (distribution) services of precious metals and (viii) provision of labor services by the Bank to China Post Group and/or its subsidiaries exceeds 0.1%, but does not exceed 5% as specified in Chapter 14A of the Hong Kong Listing Rules, the aforementioned

transactions are subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempt from the independent shareholders' approval requirements.

As the highest applicable percentage ratio in respect of the annual caps for the transactions under (1) the Land Use Rights and Properties Leasing Framework Agreement concerning (ii) leasing of certain properties and ancillary equipment by the Bank to China Post Group and/or its subsidiaries and (2) the Comprehensive Services Framework Agreement concerning (vii) sales of production materials and other goods by the Bank to China Post Group and/or its subsidiaries is less than 0.1%, the aforementioned transactions are exempted from the annual reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## **BOARD'S CONFIRMATION**

The Directors (including independent non-executive Directors) believe that the continuing connected transactions set out in this announcement have been entered into in the Bank's ordinary and usual course of business on normal commercial terms which are fair and reasonable and in the interests of the Bank and the shareholders as a whole, and the proposed annual caps (if any) in respect of non-exempt continuing connected transactions are fair and reasonable and in the interests of the Bank and the shareholders as a whole.

For each of the continuing connected transactions, except for Mr. Zhang Jinliang, Mr. Liu Jianjun, Mr. Zhang Xuewen, Ms. Yao Hong, Mr. Han Wenbo, Mr. Chen Donghao and Mr. Wei Qiang, none of the Directors has material interest in relation to the continuing connected transactions and is required to abstain from voting on the Board resolutions in relation to the approval of the abovementioned continuing connected transactions. The abovementioned Directors have abstained from voting on the relevant resolutions.

## **GENERAL INFORMATION OF THE BANK AND CHINA POST GROUP**

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

China Post Group is principally engaged in domestic and international mail delivery and express delivery, distribution of publications such as newspapers, journals and books, stamp issuance, postal remittance, confidential correspondence, postal financial business, postal express delivery, postal logistics, e-commerce, postal agency and other businesses as stipulated by the laws. The ultimate beneficial owner of China Post Group is the Ministry of Finance of the People's Republic of China.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Bank”	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company established in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets or 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”	Board of Directors of the Bank
“China Post Group”	China Post Group Co., Ltd., restructured from the former China Post Group Corporation, is a wholly state-owned company incorporated in accordance with the Company Law of the People’s Republic of China and the controlling shareholder of the Bank
“connected person(s)”	shall have the meanings ascribed to them under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Bank
“independent shareholder(s)”	the Bank’s shareholders other than China Post Group and its associates (shall have the meanings ascribed to them under the Hong Kong Listing Rules)
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“China” or “PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“shareholder(s)”

the holder(s) of the Shares of the Bank

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

Beijing, PRC

October 28, 2021

*As at the date of this announcement, the Board of the Bank comprises Mr. Zhang Jinliang as Chairman and Non-executive Director; 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.*