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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
REVISED ANNUAL CAPS FROM 2020 TO 2021**

BACKGROUND

Reference is made to the announcement of the Bank dated 30 October 2018, in relation to, among other things, the renewal of the Comprehensive Services Framework Agreement dated 6 September 2016 (the “**Comprehensive Services Framework Agreement**”) for the three years ending 31 December 2021. Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its associates and the Bank may provide services or goods to each other.

Due to business development and other reasons, the Bank expects that for the two years ending 31 December 2021, the amounts from (i) sales of goods other than philatelic items, (ii) provision of marketing services of deposits and other businesses to the Bank, (iii) provision of labor services by China Post Group and/or its associates to the Bank will exceed the existing annual caps (the “**Existing Annual Caps**”) under the Comprehensive Services Framework Agreement, and the annual caps for (iv) provision of agent sales (distribution) services of precious metals by the Bank to China Post Group and its associates will be newly added. Therefore, the Board proposed to revise the annual caps of sales of goods other than philatelic items, provision of marketing services of deposits and other businesses, and provision of labor services by China Post Group and/or its associates to the Bank as well as to set up the annual caps of provision of agent sales (distribution) services of precious metals by the Bank to China Post Group and/or its associates under the Comprehensive Services Framework Agreement for the two years ending 31 December 2021.

**COMPREHENSIVE SERVICES FRAMEWORK AGREEMENT AND
PROPOSED REVISED ANNUAL CAPS**

Details of the Comprehensive Services Framework Agreement are as follows:

Date : 6 September 2016

Parties : The Bank and China Post Group

Term : According to the agreement, the expiration date will be automatically extended if both parties have no objection and comply with the requirements of the regulatory rules at place in which the shares are listed, for a further extension period of three years. The extension period is from 1 January 2019 to 31 December 2021.

(i) Sales of Goods other than Philatelic Items by China Post Group and/or its Associates to the Bank

Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its associates may sell certain goods other than philatelic items to the Bank, mainly including items for reward points redemption by the 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 associates in the ordinary and usual course of business, principally including promotional items and materials related to banking business (including goods required on business premises such as workwear and fire safety equipment, and office supplies such as office stationery, newspaper, magazines and books, of which China Post Group or its associates is entrusted with the centralized procurement) as well as items for reward points redemption by the customers.

Pricing Policies

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

Historical Figures, Existing Annual Caps and Revised Annual Caps

The following table sets forth the historical amounts of sales of goods other than philatelic items by China Post Group and/or its associates to the Bank:

Sales of goods other than philatelic items by China Post Group and/or its associates to the Bank	Historical amounts for the year ended 31 December (in millions of RMB)		
	2017	2018	2019
	92	152	248

For the reasons set out below, the Board of the Bank approved the revising of the Existing Annual Caps in 2020 and 2021 for sales of goods other than philatelic items by China Post Group and/or its associates to the Bank for the two years ending 31 December 2020 and 2021. The following table sets forth the Existing Annual Caps and revised annual caps for related transactions for the two years ending 31 December 2020 and 2021:

For the year ending 31 December (in millions of RMB)				
Existing Annual Caps		Revised Annual Caps		
2020	2021	2020	2021	
513	743	1,000	1,700	

Reasons and Basis for Revising Annual Caps

The transactions of sales of goods other than philatelic items by China Post Group and/or its associates to the Bank mainly include the purchase of items for reward points redemption and the purchase of promotional items by the Bank from China Post Group and/or its associates. In revising of the above Existing Annual Caps, point redemption has been mainly taken into consideration. In order to support the rapid development of credit card business, the Bank broadened the point redemption channels and enriched marketing activities. With the increase in the number of credit cards to be issued and the scale of consumption as well as the introduction of related point redemption business of debit cards, it is expected that the cost of point redemption will double compared to the original estimated amount in 2020, and it will continue in 2021. Therefore, the caps of the total amount of the transactions are expected to be adjusted to RMB1 billion and RMB1.7 billion in 2020 and 2021 respectively.

(ii) Provision of Marketing Services of Deposits and Other Businesses by China Post Group and/or its Associates to the Bank

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

Reasons for the Transactions

China Post Group and/or its associates provides the marketing services of deposits and marketing services of other businesses to the Bank. Since the agency outlets are not permitted to conduct corporate deposit businesses under the relevant rules, agency outlets will direct corporate 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 associates to the Bank 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.

Historical Figures, Existing Annual Caps and Revised Annual Caps

The following table sets forth the historical amounts of provision of marketing services of deposits and marketing services of other businesses by China Post Group and/or its associates to the Bank:

Provision of marketing services of deposits and marketing services of other businesses by China Post Group and/or its associates to the Bank	Historical amounts for the year ended 31 December (in millions of RMB)		
	2017	2018	2019
	457	404	423

For the reasons set out below, the Board of the Bank approved the revising of the Existing Annual Caps in 2020 and 2021 for provision of marketing services of deposits and marketing services of other businesses by China Post Group and/or its associates to the Bank for the two years ending 31 December 2020 and 2021. The following table sets forth the Existing Annual Caps and revised annual caps for related transactions for the two years ending 31 December 2020 and 2021:

For the year ending 31 December (in millions of RMB)				
Existing Annual Caps		Revised Annual Caps		
2020	2021	2020	2021	
957	1,186	1,500	2,700	

Reasons and Basis for Revising Annual Caps

The transactions of provision of marketing services of deposits and marketing services of other businesses by China Post Group and/or its associates to the Bank mainly include the marketing services of corporate deposit business, loan business, and credit card business provided by the China Post Group to the Bank. In revising of the above Existing Annual Caps, the business development planning of this year has been mainly taken into consideration. In order to facilitate the corporate business development of the Bank and vigorously encourage the marketing services of corporate deposits of agencies, it is expected that the marketing expense for corporate deposit business of the Bank will increase by more than 50% compared to the original estimated amount in 2020, and the increment will continue to expand in 2021. Furthermore, in order to give full play to the synergistic advantages of postal enterprises, the Bank has added several businesses including auxiliary micro loans at

agency business institutions, marketing and custody of public funds. It is expected that the proportion of marketing expenses of these businesses to the marketing service expense in 2020 and 2021 will be 11% and 8%, respectively. Therefore, the caps of the total amount of the transactions are expected to be adjusted to RMB1.5 billion and RMB2.7 billion in 2020 and 2021 respectively.

(iii) Provision of Labor Services by China Post Group and/or its Associates to the Bank

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

Reasons for the Transactions

Pursuant to the Comprehensive Services Framework Agreement, China Post Group and/or its associates provides various banking related labor services and other general business services to the Bank. In particular, banking related labor services include cash transportation and storage, advertising, training and other services, of which the cash transportation and storage services are provided by China Post Group and/or its associates or through independent third parties engaged by it/them.

Pricing Policies

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

- In respect of the cash transportation and storage services provided by independent third parties engaged by China Post Group and/or its associates, the Bank and China Post Group and/or its associates share the relevant expenses in proportion to the respective number of outlets using such services.
- In respect of cash transportation and storage services provided by China Post Group and/or its associates, the Bank and China Post Group and/or its associates 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 associates share the relevant costs in proportion to the respective number of outlets using such services.
- In respect of the equipment maintenance services provided by independent third parties engaged by China Post Group and/or its associates, the Bank and China Post Group and/or its associates share the relevant expenses in proportion to the respective number of outlets or personnel using such services.

- In respect of the equipment maintenance services provided by China Post Group and/or its associates, the Bank and China Post Group and/or its associates share the relevant costs in proportion to the respective number of outlets using such services.
- The costs of property service, 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, Existing Annual Caps and Revised Annual Caps

The table below sets forth the historical amounts for provision of labor services by China Post Group and/or its associates to the Bank:

Provision of labor services by China Post Group and/or its associates to the Bank	Historical amounts for the year ended 31 December (in millions of RMB)		
	2017	2018	2019
	810	846	887

As the reasons mentioned below, the Board agreed to revise the Existing Annual Caps of 2020 and 2021 for provision of labor services by China Post Group and/or its associates to the Bank for the two years ending 31 December 2020 and 2021. The table below sets forth the Existing Annual Caps and revised annual caps for relevant transactions for the two years ending 31 December 2020 and 2021:

For the year ending 31 December (in millions of RMB)				
Existing Annual Caps		Revised Annual Caps		
2020	2021	2020	2021	
1,088	1,223	1,300	1,500	

Reasons of and Basis for Revising the Annual Caps

The transactions of provision of labor services by China Post Group and/or its associates to the Bank include cash transportation and storage, equipment maintenance, advertising, property service, training and other services to be provided by China Post Group and/or its associates to the Bank. In revising of the above Existing Annual Caps, the Bank has mainly taken into consideration of newly added five office premises of the Bank with relatively large scale. Meanwhile, the Bank intends to enhance the training for grassroots. It is expected that the property expenditures will increase by more than 10% compared to the original estimated amount in 2020, and the increment will maintain in 2021. Therefore, it is expected that the caps of the total amount of the transactions will be adjusted to RMB1.3 billion and RMB1.5 billion in 2020 and 2021, respectively.

(iv) Provision of Agent Sales (Distribution) Services of Precious Metals by the Bank to China Post Group and/or its Associates

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

Reasons for the Transactions

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

Pricing Policies

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

Historical Figures and Proposed Annual Caps

Provision of agent sales (distribution) services of precious metals by the Bank to China Post Group and/or its associates	Historical amounts for the year ended 31 December (in millions of RMB)			Proposed annual caps for the year ending 31 December (in millions of RMB)	
	2017	2018	2019	2020	2021
	91	136	204	500	700

Reasons of and Basis for Setting up the Annual Caps

The Bank shall provide agent sales (distribution) services of precious metals to China Post Group and/or its associates and pay the amount of precious metal products. Based on the business development planning, the Bank will vigorously increase the scale of physical precious metal business, of which the precious metal products with characters of postage stamp culture are major products, thus the business will grow rapidly and the increment is expected to be 145% and 40% in 2020 and 2021, respectively. Therefore, it is expected that the caps of the total amount of the transactions will be set up in the amount of RMB500 million and RMB700 million in 2020 and 2021, respectively.

INTERNAL CONTROL MEASURES

The Bank has adopted a series of internal control systems 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 will 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 for 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 established a sound management system for connected party transactions, improved the operating mechanism for connected party transactions and enhanced the management of connected party 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 Party Transactions of Postal Savings Bank of China Co., Ltd. (2019 Revision)*.

HONG KONG LISTING RULES IMPLICATIONS

China Post Group is the Bank's controlling shareholder and holds approximately 64.81% of the issued share capital of the Bank as at the date of this announcement. Accordingly, China Post Group and its associates constitute connected persons of the Bank under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the annual caps for the transactions concerning (i) sales of goods other than philatelic items, (ii) provision of marketing services of deposits and other businesses, (iii) provision of labor services, (iv) provision of agent sales (distribution) services of precious metals under the Comprehensive Services Framework Agreement exceeds 0.1%, but does not exceed 5% as specified in Chapter 14A of the Hong Kong Listing Rules. Such transactions constitute continuing connected transactions under Chapter 14A of Hong Kong Listing Rules and are subject to the annual reporting, announcement and annual review requirements under Chapter 14A of Hong Kong Listing Rules, but are exempt from the independent shareholders' approval requirements.

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 Bank's 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 Bank's Shareholders as a whole.

For each of the continuing connected transactions, except for Mr. Zhang Jinliang, Mr. Zhang Xuewen, Ms. Yao Hong, Mr. Han Wenbo and Mr. Liu Yaogong, 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.

GENERAL INFORMATION OF 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 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.

DEFINITIONS

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

“associates”	shall have the meanings ascribed to them under the Hong Kong Listing Rules
“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 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”	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 established in accordance with the Company Law of the People's Republic of China and the Bank's controlling shareholder

“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
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“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” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Shares

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

Beijing, PRC
March 25, 2020

As at the date of this announcement, the Board of the Bank comprises Mr. Zhang Jinliang as Chairman and Non-executive Director; Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Liu Yaogong, 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.*