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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in BOCOM International Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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# BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED

## 交銀國際控股有限公司

(incorporated in Hong Kong with limited liability)  
(Stock Code: 3329)

## RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

**ALTUS CAPITAL LIMITED**

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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 36 of this circular. A letter from the Independent Board Committee is set out on pages 37 to 38 of this circular. A letter from Altus Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 82 of this circular.

A notice convening the EGM to be held on Wednesday, 29 June 2022 at 11:30 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day and the same location, whichever is later, at Conference Room 1, 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and online through the online platform [https://meetings.computershare.com/BOCOMI\\_2022EGM](https://meetings.computershare.com/BOCOMI_2022EGM) is set out on pages EGM-1 to EGM-4 of this circular.

As set out in the section headed "SPECIAL ARRANGEMENTS FOR THE EGM" of this circular, in light of the continuing risks posed by COVID-19 and the current regulatory requirements and guidelines under the laws of Hong Kong, the EGM will be a hybrid meeting. **The Company encourages Shareholders to exercise their rights to attend and vote at the EGM by electronic facilities.** Other than those who are required to attend the EGM physically to form a quorate meeting, Shareholders will not be able to gain access to the meeting venue of the EGM in person. **All Shareholders are encouraged to (i) appoint the Chairman of the EGM as their proxy** by completing the enclosed form of proxy in accordance with the instructions printed on the form and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM or any adjournment of the EGM (as the case may be); **or (ii) attend, raise questions and vote at the EGM electronically through the online platform. There will be no distribution of gifts at the EGM.** For details, please refer to the section headed "SPECIAL ARRANGEMENTS FOR THE EGM" of this circular.

2 June 2022

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## DEFINITIONS

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*The following terms have the following meanings in this circular, unless the context otherwise requires:*

“Announcement”	the announcement of the Company dated 31 May 2022 in relation to, amongst others, the automatic renewal of the Non-exempt Agreements and the respective Non-exempt Transactions
“applicable percentage ratio”	has the same meaning ascribed to it under the Listing Rules
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“AUM”	assets under management
“Automatic Renewal”	the automatic renewal of the term of each of the Non-exempt Agreements for the three years ending 31 December 2025 pursuant to the terms of each Non-exempt Agreement
“Board”	the board of directors of the Company
“BOCOM”	Bank of Communications Co., Ltd., a joint stock limited liability company incorporated in the PRC, the A shares of which are listed and traded on Shanghai Stock Exchange (Stock Code: 601328) and the H shares of which are listed and traded on the Stock Exchange (Stock Code: 3328), and being the ultimate controlling Shareholder
“BOCOM Financial Technology”	BOCOM Financial Technology Company Limited* (交銀金融科技有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of the Company
“BOCOM (Hong Kong)”	Bank of Communications (Hong Kong) Limited, a member of the BOCOM Group
“BOCOM (Hong Kong Branch)”	the Hong Kong branch of BOCOM
“BOCOM (Macau Branch)”	the Macau branch of BOCOM
“BOCOM Group”	BOCOM and its subsidiaries (excluding the Group)
“BOCOM Nominee”	Bank of Communications (Nominee) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of BOCOM and a shareholder of the Company holding Shares on trust for BOCOM
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“Company”	BOCOM International Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 3329)
“connected person”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“COVID-19”	the 2019 novel coronavirus
“Derivatives Transactions”	the derivatives transactions under the Derivatives Transactions Framework Agreement
“Derivatives Transactions Framework Agreement”	the derivatives transactions framework agreement dated 25 April 2017 (and renewed on 1 January 2020) entered into between the Company and BOCOM in relation to the derivatives transactions between the Group and the BOCOM Group
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 29 June 2022 at 11:30 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day and the same location, whichever is later, at Conference Room 1, 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and online through the online platform <a href="https://meetings.computershare.com/BOCOMI_2022EGM">https://meetings.computershare.com/BOCOMI_2022EGM</a> for the purpose of considering and, if thought fit, approving the Automatic Renewal and the respective Non-exempt Transactions (including the proposed annual caps therefor)
“Exchange Participantship”	has the same meaning ascribed to it under the Rules of the Stock Exchange
“Expectation Investment”	Expectation Investment Limited, a company incorporated in Hong Kong with limited liability, an indirect subsidiary of BOCOM and a shareholder of the Company
“Financial Services Framework Agreement”	the financial services framework agreement dated 25 April 2017 (and renewed on 1 January 2020) entered into between the Company and BOCOM in relation to the provision of financial services between the Group and the BOCOM Group

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## DEFINITIONS

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“Financial Technology Services Framework Agreement”	the financial technology services framework agreement dated 1 December 2020 entered into between the Company and BOCOM in relation to the provision of financial technology services by the Group to the BOCOM Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Government”	the government of Hong Kong
“Independent Board Committee”	the independent committee established by the Board, consisting of all independent non-executive Directors (i.e. Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun) to advise the Independent Shareholders on the terms of the Non-exempt Agreements and the Non-exempt Transactions (including the proposed annual caps therefor)
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Non-exempt Agreements and the Non-exempt Transactions (including the proposed annual caps therefor)
“Independent Shareholders”	the Shareholders other than BOCOM and its associates
“Latest Practicable Date”	30 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Date”	19 May 2017, being the date on which the Shares were first listed and from which dealings in the Shares commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

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## DEFINITIONS

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“Non-exempt Agreements”	collectively, the Financial Services Framework Agreement, the Derivatives Transactions Framework Agreement and the Financial Technology Services Framework Agreement
“Non-exempt Transactions”	the transactions contemplated under the Non-exempt Agreements for the three years ending 31 December 2025
“PRC” or “China”	the People’s Republic of China
“Relevant Disclosure”	has the meaning as ascribed to it under the section headed “Introduction” of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of Shares
“Substantial Shareholder(s)”	has the same meanings as those defined under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meanings as those defined under the Listing Rules



**BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED**

**交銀國際控股有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 3329)**

*Executive Directors:*

Mr. TAN Yueheng (*Chairman*)

Mr. CHENG Chuange (*Deputy Chief Executive Officer*)

*Registered Office:*

9/F, Man Yee Building

68 Des Voeux Road Central  
Hong Kong

*Non-executive Directors:*

Ms. LIN Zhihong

Ms. PO Ying

*Independent Non-executive Directors:*

Mr. TSE Yung Hoi

Mr. MA Ning

Mr. LIN Zhijun

2 June 2022

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

References are made to (i) the Company's announcement dated 26 March 2019 in relation to, among others, the continuing connected transactions contemplated under the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and circular dated 17 May 2019 in relation to, among others, the renewal of transactions under the Financial Services Framework Agreement and Derivatives Transactions Framework Agreement; (ii) the Company's announcements dated 2 June 2020 and 2 June 2021, and circulars dated 4 June 2020 and 8 June 2021 in relation to, among others, the revision of annual caps under the Derivatives Transactions Framework Agreement and the Financial Services Framework Agreement; (iii) the Company's announcement dated 1 December 2020 and the circular dated 7 December 2020 in relation to the continuing connected transactions contemplated under the Financial Technology Services Framework Agreement (collectively, the "**Relevant Disclosure**"); and (iv) the Announcement in relation to, among other things, the automatic renewal of the Non-exempt Agreements and the respective Non-exempt Transactions.

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## LETTER FROM THE BOARD

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As set forth in the Relevant Disclosure, (i) the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement came into effect on the Listing Date and shall continue up to and including 31 December 2022, and shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules; and (ii) the Financial Technology Services Framework Agreement came into effect on 24 December 2020 and shall continue up to and including 31 December 2022, and shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules.

The Company intends to continue to enter into transactions of similar nature after 31 December 2022. The Automatic Renewal of each of the Non-exempt Agreements shall, subject to the approval of the Non-exempt Transactions and the proposed annual caps therefor having been obtained from the relevant authoritative bodies (including the Board and/or the Independent Shareholders as necessary) in accordance with the applicable Listing Rules, take effect on 1 January 2023.

The purposes of this circular are to provide you with, among other things, (i) further information on the Non-exempt Agreements, the Non-exempt Transactions and the proposed annual caps therefor; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM and other information as required under the Listing Rules.

The principal terms of the Non-exempt Agreements are summarised below.

### CONTINUING CONNECTED TRANSACTIONS

#### (A) Principal Terms

##### *1. The Financial Services Framework Agreement*

- Date:** 25 April 2017
- Parties:** (1) the Company  
(2) BOCOM



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## LETTER FROM THE BOARD

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**Scope of Service:** All existing and future provision of financial services between members of the Group and members of the BOCOM Group comprising the following:

*(a) Financial services provided by the Group to the BOCOM Group*

- (i) Securities brokerage settlement and subscription of new shares

Each of BOCOM (Hong Kong Branch) and BOCOM (Hong Kong) will, among other things, refer no less than 90% in terms of transaction value of the securities brokerage transactions on the Stock Exchange of its customers to the Group for securities trading and brokerage settlement and pay commission to the Group. The BOCOM Group also uses broker number under the Exchange Participantship of the Group for subscription of new shares by its customers. The Group will on-pay the entire gross brokerage commission received therefrom to the BOCOM Group.

- (ii) Investment advisory and management services

The Group provides investment advisory and management services to certain funds controlled by the BOCOM Group or which have the BOCOM Group as the general partner, and receives fund management fee income from the BOCOM Group.

- (iii) Underwriting, sponsoring, securities issuance and advisory services

The Group provides underwriting, sponsoring and securities issuance services in respect of equity and debt securities and advisory services to the BOCOM Group and receives underwriting commissions, sponsor fees and advisory fees for providing such services.

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## LETTER FROM THE BOARD

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*(b) Financial services provided by the BOCOM Group to the Group*

(i) Deposit services

The Group has maintained deposit accounts with the Hong Kong, Mainland China and Macau branches of BOCOM in the ordinary and usual course of its business and on normal commercial terms. The Group places both client funds and proprietary funds as deposits in such accounts opened with BOCOM. The Group receives interest on such deposits from BOCOM.

(ii) Customer referral services

The BOCOM Group from time to time refers its customers or potential customers who require services provided by the Group to open accounts with and become customers of the Group. The services provided by the Group to the referred customers include securities brokerage, margin financing, asset management and corporate finance services. The Group pays referral commission to certain branches of BOCOM for such customer referral services.

(iii) Fund product distribution services

As one of the marketing channels for the Group's fund products, the BOCOM Group provides product distribution services by promoting and distributing the fund products offered or managed by the Group. The Group pays commission to the BOCOM Group for such services.

(iv) Miscellaneous banking and financial services

The Group has engaged the BOCOM Group to provide miscellaneous banking and financial services including insurance and custodian services. The Group pays service fees to the BOCOM Group for such services.

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## LETTER FROM THE BOARD

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**General Terms:** At any time during the terms of the Financial Services Framework Agreement, the relevant member of the Group and the relevant member of the BOCOM Group may from time to time enter into definitive agreements in relation to any transaction(s) under the Financial Services Framework Agreement upon, and subject to, the terms and conditions in compliance with those of the Financial Services Framework Agreement.

The transactions under the Financial Services Framework Agreement shall be conducted:

- (a) in the ordinary and usual course of business of the Group and the BOCOM Group;
- (b) on an arm's length basis;
- (c) on normal commercial terms or better to the Group;
- (d) on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable transactions (in respect of provision of financial services by the BOCOM Group to the Group);
- (e) on terms no less favourable than those offered by the Group to independent third parties for similar transactions (in respect of the provision of financial services by the Group to the BOCOM Group);
- (f) in accordance with the specified pricing policies; and
- (g) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

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## LETTER FROM THE BOARD

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**Pricing Policies:** (a) *Financial services provided by the Group to the BOCOM Group*

- (i) Securities brokerage settlement and subscription of new shares

The fees and commissions payable by the BOCOM Group to the Group for securities brokerage settlement and subscriptions of new shares are normally in the region of 0.01%, which are determined by arm's length negotiation after taking into account factors including the prevailing market rates and the rates normally applicable to independent third parties for similar types of transactions at the time of the transaction, the expected significant trading volume of and revenue from the securities brokerage transactions to be referred by the BOCOM Group to the Group for securities trading and brokerage settlement, the scope and extent of the services to be provided by the Group, the fact that the transactions involve customers of the BOCOM Group but not customers of the Group and the insignificant marketing expenses and efforts required of the Group, the fact that the orders will be placed through the trading system of the BOCOM Group but not that of the Group and the immaterial additional costs to the Group for permitting the BOCOM Group to use the broker number under the Exchange Participantship of the Group for subscription of new shares by its customers as the human resources and infrastructure required have already been put in place by the Group for the purposes of conducting other businesses of the Group.

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## LETTER FROM THE BOARD

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(ii) Investment advisory and management services

The fees for the investment advisory and management services provided by the Group are payable by the BOCOM Group in accordance with the rates set out in the relevant fund management agreements which are determined based on arm's length negotiation after taking into account factors including the extent of the Group's involvement in sourcing of transactions, the prevailing market rates for investment advisory and management services of similar types and nature, the assets under management of the relevant funds in respect of which the Group provides investment advisory and management services, the fees that the Group charges independent customers for similar advisory and management services and the types of the funds involved and their investment strategies and focus which may affect the resources required for providing the management services. For targeted asset management schemes, the Group charges management fees on the basis of a specified percentage of the assets under management. For specialised asset management schemes, the management fee rates will also take into account the purpose of the asset management scheme and the industry involved.

(iii) Underwriting, sponsoring, securities issuance and advisory services

The fees for the underwriting, sponsoring, securities issuance and advisory services provided by the Group are payable by the BOCOM Group in accordance with the rates set out in the relevant underwriting, sponsoring, advisory or other engagement agreements that may be entered into by the Group and the BOCOM Group. The rate for underwriting and securities issuance normally ranges from approximately 0.1% to 2.0% of the gross proceeds from the securities which the Group has underwriting commitment or the securities issued (as the case may be).

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## LETTER FROM THE BOARD

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The underwriting commissions, sponsoring fees and securities issuance fees are determined by arm's length negotiation after taking into account factors including the capital market conditions, the size of the proposed issuance, the commission and fee rates charged in respect of recent issuance of similar nature and scale, the market demand for the securities to be issued and the rates that the Group charges independent third parties for similar services.

The securities underwriting market in Hong Kong is highly competitive and the underwriting commission rates, sponsor fees and securities issuance fees have become generally transparent and standardised across the market, which enables the Group to adopt a market-based pricing approach.

The fees for advisory services are determined by arm's length negotiation after taking into account factors including the nature of the advisory services involved, the scale and complexity of the transactions or advisory projects involved and the fees and the rates that the Group charges independent customers for similar services.

*(b) Financial services provided by the BOCOM Group to the Group*

*(i) Deposit services*

The interest rates of the deposits of the Group placed with BOCOM will be determined by reference to the market rates of deposits in the financial industry payable to independent customers for deposits of the same type and similar amounts during that period.

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## LETTER FROM THE BOARD

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(ii) Customer referral services

The customer referral commissions payable by the Group to the BOCOM Group are determined by arm's length negotiation after taking into account factors including the nature of services required by the customers referred by the BOCOM Group, the referral commissions payable by the Group to independent parties for customers referred for similar businesses, the market conditions, the expected number of customers to be referred by the BOCOM Group for each type of services to be provided by the Group and the industry practice.

(iii) Fund product distribution services

The fees and commissions payable by the Group to the BOCOM Group for the fund product distribution services will be determined by arm's length negotiation after taking into account factors including the commissions payable by the Group to independent parties for similar product distribution services, the expected number of customers who will subscribe for fund products offered or managed by the Group through the BOCOM Group's distribution channels and the industry practice.

(iv) Miscellaneous banking and financial services

The fees payable by the Group to the BOCOM Group for the miscellaneous banking and financial services will be determined by arm's length negotiation after taking into account factors including the prevailing market rates for similar services provided by other banks and financial institutions. The market rates are generally transparent and standardised across the banking and financial industries.

The Financial Services Framework Agreement came into effect on 19 May 2017 and expired on 31 December 2019, and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules. The automatic renewal of the term of the Financial Services Framework Agreement for the three years ending 31 December 2022 was approved by the Independent Shareholders at the extraordinary general meeting of the Company on 14 June 2019. The revision

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## LETTER FROM THE BOARD

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of annual caps for the relevant revenue transactions under the Financial Services Framework Agreement for the two years ending 31 December 2022, namely annual caps on interest on deposits, was approved by the Independent Shareholders at the extraordinary general meeting of the Company on 29 June 2021.

### 2. *The Derivatives Transactions Framework Agreement*

**Date:** 25 April 2017

**Parties:** (1) the Company  
(2) BOCOM

**Scope of Service:** All existing and future provision of derivatives transactions between members of the Group and members of the BOCOM Group.

The Group enters into derivatives transactions in order to facilitate the BOCOM Group's management of commodity risks indirectly on offshore commodity future exchanges including the New York Mercantile Exchange. The Group enters into derivatives transactions with the BOCOM Group at specified prices and terms at the over-the-counter market pursuant to the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement dated 16 June 2016 entered into by the Company and BOCOM.

Simultaneously, the Group enters into derivatives transactions at an offshore commodity futures exchange on substantially similar prices with an insignificant spread and on otherwise identical commercial terms but in the opposite direction. Pursuant to such arrangements and pricing policies, the Group expects to assume no overall risks of investment losses.

**General Terms:** At any time during the terms of the Derivatives Transactions Framework Agreement, the relevant member of the Group and the relevant member of the BOCOM Group may from time to time enter into definitive agreements in relation to any transaction(s) under the Derivatives Transactions Framework Agreement upon, and subject to, the terms and conditions in compliance with those of the Derivatives Transactions Framework Agreement.



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## LETTER FROM THE BOARD

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The Derivatives Transactions shall be conducted:

- (a) in the ordinary and usual course of business of the Group and the BOCOM Group;
- (b) on an arm's length basis;
- (c) on normal commercial terms or better to the Group;
- (d) on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable transactions; and
- (e) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

The Derivatives Transactions Framework Agreement came into effect on 19 May 2017 and expired on 31 December 2019, and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules. The automatic renewal of the term of the Derivatives Transactions Framework Agreement for the three years ending 31 December 2022 was approved by the Independent Shareholders at the extraordinary general meeting of the Company on 14 June 2019. The revision of annual caps for the transactions under the Derivatives Transactions Framework Agreement for the three years ending 31 December 2020, 2021 and 2022 was approved by the Independent Shareholders at the extraordinary general meeting of the Company on 19 June 2020.

### **3. *The Financial Technology Services Framework Agreement***

**Date:** 1 December 2020

**Parties:** (1) the Company  
(2) BOCOM

**Scope of Service:** All provision of financial technology services by members of the Group to members of the BOCOM Group comprising the following:

- (a) computer software development, information system operation and maintenance services and information system integration services; and
- (b) information system consultancy services.

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## LETTER FROM THE BOARD

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**General Terms:** At any time during the term of the Financial Technology Services Framework Agreement, the relevant member of the Group and the relevant member of the BOCOM Group may from time to time enter into definitive agreements in relation to any transaction(s) under the Financial Technology Services Framework Agreement upon, and subject to, the terms and conditions being in compliance with those of the Financial Technology Services Framework Agreement.

The transactions under the Financial Technology Services Framework Agreement shall be conducted:

- (a) in the ordinary and usual course of business of the Group and the BOCOM Group;
- (b) on an arm's length basis;
- (c) on normal commercial terms or better to the Group;
- (d) on terms no less favourable than those offered by the Group to independent third parties for similar transactions;
- (e) in accordance with the specified pricing policies; and
- (f) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

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**LETTER FROM THE BOARD**

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**Pricing Policies:** The service fees to be charged by the Group to the BOCOM Group shall be conducted on commercial principles based on the prevailing market prices in the finance industry. The relevant market prices as at 31 December 2021 are set out below for reference only:

- (a) Computer software development, information system operation and maintenance services and information system integration services:

<b>Computer software development</b>	<b>Information system operation and maintenance services</b>	<b>Information system integration services</b>
High-end: RMB100,000 to 140,000 per month per staff	High-end: RMB95,000 to 135,000 per month per staff	High-end: RMB100,000 to 140,000 per month per staff
Mid-end: RMB50,000 to 80,000 per month per staff	Mid-end: RMB45,000 to 75,000 per month per staff	Mid-end: RMB50,000 to 80,000 per month per staff
Low-end: RMB40,000 per month per staff	Low-end: RMB35,000 per month per staff	Low-end: RMB40,000 per month per staff
The proportion for high-end, mid-end and low-end services is expected to be approximately 2:4:1	The proportion for high-end, mid-end and low-end services is expected to be approximately 2:4:1	The proportion for high-end, mid-end and low-end services is expected to be approximately 2:4:1

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## LETTER FROM THE BOARD

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(b) Information system consultancy services

High-end: RMB120,000 to 160,000 per month per staff

Mid-end: RMB80,000 to 100,000 per month per staff

Low-end: RMB60,000 per month per staff

The proportion for high-end, mid-end and low-end services is expected to be approximately 2:4:1.

The Financial Technology Services Framework Agreement came into effect on 24 December 2020 and shall continue up to and including 31 December 2022, and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules.

### *Financial Technology Services*

The financial technology services to be provided to the BOCOM Group include (but are not limited to):

- the development of basic software products and platforms;
- application development in the financial business field;
- integration of information systems (including but not limited to hardware, system software, tool software, network, database and applications);
- continuous customisation and optimisation of research and development products;
- technical support and maintenance to ensure the stable operation of information systems; and
- provision of advice and solutions for informatisation construction matters such as modifying customer systems, architecture design, process remodelling, and integration of hardware and software.

## LETTER FROM THE BOARD

### TRANSACTION AMOUNTS, ANNUAL CAPS AND WAIVER

#### (A) Historical Transaction Amounts

The historical annual caps and transaction amounts in respect of the transactions under the Non-exempt Agreements for each of the three years ended 31 December 2019, 2020 and 2021, the annual caps in respect of the transactions under the Non-exempt Agreements for the year ending 31 December 2022 and the transaction amounts for the three months ended 31 March 2022 are as follows:

	Year ended 31 December						Three months ended	
	2019		2020		2021		Year ending 31 December 2022	31 March 2022
	Annual Caps	Transaction Amounts	Annual Caps	Transaction Amounts	Annual Caps	Transaction Amounts	Annual Caps	Transaction Amounts
1. <b>Financial Services Framework Agreement</b> <i>(HK\$ million) (Approximate)</i>								
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>								
Securities brokerage settlement and subscription of new shares	20.0	7.4	19.6	10.8	23.5	11.2	28.2	2.3
Investment advisory and management services	84.7	23.3	77.9	22.3	82.8	22.5	88.8	4.7
Underwriting, sponsoring, securities issuance and advisory services	41.0	5.8	70.2	7.9	70.2	2.3	70.2	0
Interest on deposits	5.3	5.1	15.3	4.6	51.5	24.3	59.6	4.8
<b>Total</b>	<b>151.0</b>	<b>41.6</b>	<b>183.0</b>	<b>45.6</b>	<b>228.0</b>	<b>60.3</b>	<b>246.8</b>	<b>11.8</b>
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>								
On-payment of securities brokerage commission for subscription of new shares	2.7	0.8	2.8	1.5	3.4	1.2	4.0	0
Customer referral services	27.1	2.9	15.1	5.0	20.1	8.3	26.7	1.0
Fund product distribution services	8.7	0.1	8.6	0.2	8.6	0.2	8.6	0
Miscellaneous banking and financial services	12.6	2.8	11.3	3.5	14.0	3.6	17.3	0.7
<b>Total</b>	<b>51.1</b>	<b>6.5</b>	<b>37.8</b>	<b>10.2</b>	<b>46.1</b>	<b>13.3</b>	<b>56.6</b>	<b>1.7</b>

## LETTER FROM THE BOARD

	Year ended 31 December						Three	
	2019		2020		2021		Year ending	months ended
	Annual	Transaction	Annual	Transaction	Annual	Transaction	31 December	31 March
	Caps	Amounts	Caps	Amounts	Caps	Amounts	2022	2022
							Annual Caps	Transaction
								Amounts
<b>2. Derivatives Transactions Framework</b>								
<b>Agreement (HK\$ million) (Approximate)</b>								
Trading Gains/(Losses) to the Group <sup>(1)</sup>	92.9	(15.5)	400	192.0	400	44.0	400	7.4
Maximum fair value Recorded as Financial								
Assets	90.6	2.3	400	71.0	400	3.2	400	0
Maximum fair value Recorded as Financial								
Liabilities	90.6	0	400	25.3	400	30.5	400	4.6
<b>3. Financial Technology Services Framework</b>								
<b>Agreement</b>								
<i>(RMB million)</i>								
Computer software development, information								
system operation and maintenance								
services and information system								
integration services	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	90 <sup>(3)</sup>	0 <sup>(3)</sup>	540	4.2	720	4.4
Information system consultancy services	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	10 <sup>(3)</sup>	0 <sup>(3)</sup>	60	5.6	80	5.5

*Note:* (1) This does not include the trading gains or losses arising from the derivatives transactions in opposite directions entered into by the Group at offshore commodity futures exchanges (which do not constitute continuing connected transactions of the Company).

(2) The Financial Technology Services Framework Agreement was entered into and took effect in 2020, therefore there were no annual caps for each of the three years ended 31 December 2019.

(3) The historical annual caps and the transaction amount for 2020 of the Financial Technology Services Framework Agreement reflect the expected and actual transaction amount for the period from its effective date (i.e. 24 December 2020, being the date of extraordinary general meeting when Independent Shareholders' approval has been obtained) to 31 December 2020 (both dates inclusive).

None of the actual transaction amounts during the relevant periods exceeded the annual caps as set out in the Relevant Disclosure. The Company expects that none of the existing annual caps for the year ending 31 December 2022 will be exceeded as at the date of the EGM.

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**LETTER FROM THE BOARD**

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**(B) Proposed Annual Caps**

The proposed annual caps in respect of the Non-exempt Transactions for each of the three years ending 31 December 2025 are as follows:

	<b>Years ended 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>1. Financial Services Framework Agreement</b>			
<i>(HK\$ million)</i> <b>(Approximate)</b>			
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>			
Securities brokerage settlement and subscription of new shares	27.5	33.0	39.6
Investment advisory and management services	89.9	93.4	97.0
Underwriting, sponsoring, securities issuance and advisory services	74.1	74.1	74.1
Interest on deposits	90.0	108.0	125.0
<b>Total</b>	<b>281.5</b>	<b>308.5</b>	<b>335.7</b>
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>			
On-payment of securities brokerage commission for subscription of new shares	3.4	3.7	4.1
Customer referral services	37.6	46.9	58.7
Fund product distribution services	15.6	21.3	27.9
Miscellaneous banking and financial services	19.8	25.2	31.5
<b>Total</b>	<b>76.4</b>	<b>97.1</b>	<b>122.2</b>
<b>2. Derivatives Transactions Framework Agreement</b>			
<i>(HK\$ million)</i> <b>(Approximate)</b>			
Trading Gains/(Losses) to the Group <sup>(1)</sup>	110.1	103.2	96.3
Maximum Fair Value Recorded as Financial Assets	74.9	70.2	65.5
Maximum Fair Value Recorded as Financial Liabilities	74.9	70.2	65.5

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## LETTER FROM THE BOARD

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	Years ended 31 December		
	2023	2024	2025
<b>3. The Financial Technology Services</b>			
<b>Framework Agreement (RMB million)</b>			
Computer software development, information system operation and maintenance services and information system integration services	777.0	1,250.0	1,750.0
Information system consultancy services	626.0	1,000.0	1,400.0

*Note:* (1) This does not include the trading gains or losses arising from the derivatives transactions in opposite directions to be entered into by the Group at offshore commodity futures exchanges (which do not constitute continuing connected transactions of the Company).

### (C) Basis of Determination of Proposed Annual Caps

#### 1. Financial Services Framework Agreement

The proposed annual caps in respect of the financial services under the Financial Services Framework Agreement were determined by reference to the following factors:

##### *Securities brokerage settlement and subscription of new shares*

- (a) The historical revenue derived by the Group in respect of the securities brokerage transactions referred to the relevant member of the Group for securities trading and brokerage settlement and the arrangements under which the BOCOM Group used the broker number under the Exchange Participantship of the relevant member of the Group for subscription of new shares by its customers;
- (b) the annual potential growth in demand for securities trading and brokerage settlement and subscription of new shares of the customers of the BOCOM Group over the three years ending 31 December 2025 and the Group's growth plan regarding these services, in particular, the daily market turnover from securities trading and brokerage settlement, and the expected annual growth rate of 20% in such daily market turnover in each of the three years ending 31 December 2023, 2024 and 2025, which is determined with reference to the growth in the average daily turnover of the Hong Kong stock market in general, which increased by approximately 48.6% from 2019 to 2020 and a further increase by approximately 28.8% from 2020 to 2021 according to the annual market statistics published by the Stock Exchange;
- (c) the fact that the BOCOM Group would refer no less than 90% in terms of transaction value of the securities brokerage transactions on the Stock Exchange of its customers each year to the Group for securities trading and brokerage settlement; and



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## LETTER FROM THE BOARD

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- (d) the market sensitivity of the brokerage transactions and the passive role of the Group.

*Investment advisory and management services*

- (a) The historical investment advisory and management service fees paid by the BOCOM Group to the Group during the three financial years ended 31 December 2021;
- (b) the existing funds controlled by the BOCOM Group or which have the BOCOM Group as the general partner;
- (c) the expected annual growth of 5% in AUM controlled by the BOCOM Group (excluding BOCOM (Macau Branch)) or which have the BOCOM Group as the general partner for each of the three years ending 31 December 2025, which is determined based on (i) the expected rise in the currently relatively low assets value due to the poor performance of the capital market in the long term; (ii) the potential increase in allocation of assets to the Group in light of the rapidly increasing synergy between BOCOM and the Group in terms of fund distribution arrangement; and (iii) the increase in net balance of investment securities recorded by the BOCOM Group by approximately 8.83% from approximately RMB3,237.3 billion in 2020 to approximately RMB3,523.2 billion in 2021 as disclosed in the annual report of BOCOM for the year ended 31 December 2021; and
- (d) the estimated growth of AUM of BOCOM (Macau Branch) which requires investment advisory and management services from the Group for the three years ending 31 December 2025.

*Underwriting, sponsoring, securities issuance and advisory services*

- (a) The historical underwriting, sponsoring, securities issuance and advisory fees paid by the BOCOM Group to the Group over the three financial years ended 31 December 2021;
- (b) the expected growth of demand for underwriting, sponsoring, securities issuance and advisory services from the Group over the three years ending 31 December 2025;
- (c) the transactions involved will likely be on an ad hoc basis and where a relevant transaction proceeds, it may involve significant fees payable by the BOCOM Group to the Group if the scale of the underwriting commitment or the securities transactions is significant; and
- (d) the fact that the BOCOM Group's demand for underwriting, sponsoring, securities issuance and advisory services from the Group is highly sensitive to and dependent upon the prevailing market conditions and sentiments. A

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## LETTER FROM THE BOARD

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significant proportion of the underlying transactions may take place within a short window of time during which market conditions and sentiments would favour the undertaking of such transactions by the BOCOM Group.

### *Interest on deposits*

- (a) the potential increase in the level of deposits maintained by the Group due to future business development;
- (b) the amount of deposit that the Group currently places in branches of BOCOM;
- (c) the actual interest on the Group's deposits received from BOCOM Group during the three financial years ended 31 December 2021;
- (d) the expected interest to be paid to the Group for each of the three years ending 31 December 2025; and
- (e) the expected trends of movements in the market interest rates.

### *Customer referral services*

- (a) the historical commissions paid by the Group to the BOCOM Group in respect of the customers referred by the BOCOM Group to the Group during the three financial years ended 31 December 2021; and
- (b) the expected growth of demand for securities brokerage, margin financing, asset management and corporate finance services of potential customers referred by the BOCOM Group over the three years ending 31 December 2025, taking into account (i) the growth potential in financial services provided by the BOCOM Group to the Group as a result of the expansion of the Group's regulated business; (ii) the significant growth potential of the client referral services from the branches of BOCOM to the Group following the commencement of referral arrangement with the Mainland China branches of BOCOM in March 2022; and (iii) the increase in the total market turnover of the Hong Kong stock market by approximately 49.8% from 2019 to 2020 and further increase by 28.2% from 2020 to 2021 as revealed in the annual market statistics published by the Stock Exchange.

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## LETTER FROM THE BOARD

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### *Fund product distribution services*

- (a) The existing funds controlled by the Group or which have the Group as general partner;
- (b) the Group's growth plan for its fund business;
- (c) the expected number of the Group's fund products which will utilise the BOCOM Group's marketing channels for distribution over the three years ending 31 December 2025; and
- (d) the expected fund distribution rates for the fund products for each of the three years ending 31 December 2025.

### *Miscellaneous banking and financial services*

- (a) The historical fees paid by the Group to the BOCOM Group in respect of other miscellaneous banking and financial services provided by the BOCOM Group during the three financial years ended 31 December 2021; and
- (b) the expected growth of the overall business of the Group and hence, the growth of the Group's demand for miscellaneous banking and financial services such as insurance expenses, administrative and custody fees over the three years ending 31 December 2025.

## **2. Derivatives Transactions Framework Agreement**

The proposed annual caps in respect of the Derivatives Transactions were determined by reference to the following factors:

- (a) the historical trading gains/losses, fair value recorded as financial assets and fair value recorded as financial liabilities in respect of the Derivatives Transactions during the three financial years ended 31 December 2021;
- (b) the expected transaction amounts in respect of the Derivatives Transactions to be entered into between the Group and the BOCOM Group for each of the three years ending 31 December 2025;
- (c) the high volatility of the commodity market, which is presumed to remain the same for the three years ending 31 December 2025 as the volatility rate of the commodity-based products relating to the Derivatives Transactions ranged from approximately 18% to 147% during the three years ended 31 December 2021;
- (d) the amount of credit facility granted by the Group to the BOCOM Group and the risk appetite of the Group towards commodity futures trading;

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## LETTER FROM THE BOARD

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- (e) the expected demand for risk management of commodity price fluctuation by the BOCOM Group through the Group on offshore commodity futures exchanges for each of the three years ending 31 December 2025;
- (f) the expected spread between the closing price and the fixed price in the Derivatives Transactions; and
- (g) the expected fair value to be recorded as financial assets and the expected fair value to be recorded as financial liabilities in respect of the Derivatives Transactions, which represent the expected maximum exposure of the Company in relation to (i) the unsettled positions carried forward from the previous financial year; and (ii) the unsettled closed positions and the floating trading gains or losses of the unclosed positions during the then current financial year, both of which are estimated based on the fair value recorded as financial assets and fair value recorded as financial liabilities for the three months ended 31 March 2022 and the historical settlement pattern of BOCOM Group.

### ***3. Financial Technology Services Framework Agreement***

The proposed annual caps in respect of the financial technology services under the Financial Technology Services Framework Agreement were determined by reference to the following factors:

- (a) the prevailing market prices for the provision of similar financial technology services and the expected growth in labour costs of 6% per annum taking into account (i) the nominal growth of average disposable income per capita of 8.1% and the average GDP growth of 6% in the PRC from 2017 to 2021; (ii) the nominal growth of average disposable income per capita of 9.1% and the GDP growth of 8.1% in the PRC in 2021; and (iii) the GDP growth target of 5.5% and a basically synchronised expected growth of residents' income in the PRC in 2022;
- (b) the expected demand for financial technology services and the expected expenditure for financial technology of the BOCOM Group taking into account BOCOM Group's expected annual investment in financial technology based on (1) the expected compound annual growth rate of BOCOM Group's operating income from 2021 to 2025; and (2) the expected growth rate of BOCOM Group's annual investment in financial technology; and
- (c) the Group's increased recruitment effort to expand the financial technology services team to 1,500 and 2,000 people for the years ending 31 December 2024 and 31 December 2025, respectively, to satisfy the BOCOM Group's demand for financial technology services.

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## LETTER FROM THE BOARD

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### **(D) Waiver from Strict Compliance with the Maximum Daily Balance Requirement in respect of the Group's Bank Deposits with the BOCOM Group**

Pursuant to Rule 14A.53 of the Listing Rules, the Company is required to set a maximum daily balance for deposits which the Group places in accounts opened with the BOCOM Group. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of setting a maximum daily balance for the Group's deposits placed with the BOCOM Group under Rule 14A.53 of the Listing Rules for the three years ending 31 December 2025, on the following grounds:

#### **In respect of the deposits with the BOCOM Group representing funds of the Group's clients:**

- (a) the licensed corporations within the Group are required to maintain client money in Hong Kong in segregated accounts opened with the BOCOM Group and other independent banks. The amounts of client money received or held by the Group may fluctuate significantly on a daily basis depending on the clients' daily trading volume and market price of the securities on a particular day. It would be extremely onerous and impracticable for the Group to estimate and set a maximum daily balance limit for such deposits;
- (b) the placing of funds of the Group's customers as deposits with the BOCOM Group will be on the then prevailing market interest rates, on normal commercial terms or better to the Group and in the respective ordinary and usual course of business of the Group and the BOCOM Group;
- (c) as the Group cannot control the fluctuation in, or accurately estimate the maximum daily balance of the incoming client money, the Group will not be in a position to strictly comply with a maximum daily balance limit even if such limit is set. The Group should not be required to set any limit which it understands will likely not be capable of complying; and
- (d) setting a maximum daily balance of deposits would mean that the Group may have to reject client deposits or change its CCASS designated settlement bank account that it conducts in its ordinary course of business in order not to exceed such maximum daily balance. This would be unduly burdensome to the Group's existing business operations, unduly restrictive to the potential growth of the Group's business and would not be in the best interests of the Company and the Shareholders as a whole.

#### **In respect of the deposits with the BOCOM Group representing the Group's proprietary funds:**

- (a) the placing of the Group's proprietary funds as deposits with the BOCOM Group will be on the then prevailing market interest rates, on normal commercial terms or better to the Group and in the respective ordinary and usual course of business of the Group and the BOCOM Group;

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## LETTER FROM THE BOARD

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- (b) the BOCOM Group has developed familiarity of the Group's fund operation arrangement through its long-term cooperation with the Group. It may cause unnecessary interruption to the Group's business if it is to divert such accounts and operational arrangements from the BOCOM Group to another independent bank;
- (c) it is impracticable and extremely difficult for the Group to estimate the amount of incoming funds on a daily basis given that its business is closely correlated to market fluctuations. In addition, the Group may from time to time liquidate its proprietary investments, financial products and portfolios. The amount of funds arising therefrom can be substantial and highly uncertain and may only be temporary in nature. Therefore, imposing a maximum daily balance of deposits would not only cause undue administrative inconvenience to the Group but would also cause undue disruption to its operations, and would adversely impact its ability to promptly respond to volatile changes in the financial market;
- (d) the Group needs to reserve sufficient funds in its proprietary settlement bank account in order to fulfil its daily intra-day marks payment and settlement obligations in relation to clients' trading activities and to ensure that sufficient funds are maintained for inter-transfer between segregated bank accounts and proprietary bank accounts in accordance with client daily cash balance. As the trading pattern of the Group's clients and market conditions are unpredictable, the margin financing needs of the Group's securities clients are subject to factors that are beyond the Group's control, it is impracticable and extremely difficult for the Group to set a maximum balance of deposits in its CCASS designated settlement bank account in relation to its clients' trading activities and daily cash balance;
- (e) apart from the trading activities of the Group and its clients, the Group also uses its proprietary funds to support its corporate finance and underwriting business and asset management and advisory business. It would be difficult for the Company to predict and set an annual cap for (i) the funds raised by the Group's corporate clients that are deposited into or settled through its proprietary account in the course of the Group's corporate finance and underwriting business and (ii) the amount that may be transferred to and from the Group's proprietary bank accounts when the Group's asset management clients trade their mutual fund or private equity fund, both of which are subject to factors that are beyond the Group's control;
- (f) given that the deposits placed by the Group in its proprietary bank accounts are fungible and the balance represents a total sum required to be maintained by the Group that is sufficient to support both its clients' trading and financing activities and its own trading activities, it is a lump sum figure (which changes from time to time according to market and level of trading activities of both the Group and its clients), and therefore it would not be possible for the Group to segregate or re-allocate such deposits for the Group's and its clients' purposes;

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## LETTER FROM THE BOARD

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- (g) during the three years ended 31 December 2021 and up to the date of this circular, the Group has placed its proprietary funds with various commercial banks in Hong Kong, Mainland China and Macau. The Group would choose to place deposits with banks which it considers the most suitable and prudent after taking into account the relevant factors;
- (h) most of the settlement funds of the Company's proprietary trading are placed in the Group's deposit accounts opened with the BOCOM Group, but the Group can only obtain the information about the daily amount of funds settled from proprietary trading after trading hours, and therefore does not have the information about the actual daily balance of the deposit of its proprietary funds placed with the BOCOM Group each day during trading hours of that day; and
- (i) setting a maximum daily balance of deposits would be unduly burdensome to the Group's existing business operations, unduly restrictive to the potential growth of the Group's business and would not be in the best interests of the Company and the Shareholders as a whole.

### MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole, the Group has implemented the following internal approval and monitoring procedures in relation to the Non-exempt Transactions:

- (a) before confirming the pricing and the terms of the Non-exempt Transactions, the Group will review and consider the pricing offered to or quoted by, as the case may be, two or more independent third parties in respect of transactions of a similar nature and scale in order to determine whether the proposed pricing and terms of the Non-exempt Transactions are fair, reasonable and no less favourable to the Group than those quoted by independent third parties to the Group or no more favourable to the BOCOM Group than those offered by the Group to independent third parties, as the case may be. If no pricing quoted by or offered to independent third parties can be obtained for the purpose of the above comparison, the relevant continuing connected transaction will have to be separately considered and approved by the head of the relevant business unit in order to ensure that the pricing will be fair and reasonable to the Group;
- (b) the Group has adopted internal guidelines which provide that if the value of any Non-exempt Transactions is expected to exceed certain thresholds, the relevant staff must report the Non-exempt Transactions to the Company Secretary and the Legal and Compliance Department of the Company (directly or through the head of the relevant business unit) in order for the Company to commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules;



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## LETTER FROM THE BOARD

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- (c) the Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the Non-exempt Transactions entered into by the Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the Non-exempt Transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the Non-exempt Transactions have not been approved by the Board, or not in accordance with the pricing policies of the Group in all material respects, or not entered into in accordance with the relevant agreement governing the Non-exempt Transactions in all material respects or have exceeded the annual cap;
- (d) In relation to deposits under the Financial Services Framework Agreement, the Company regularly reviews the terms (including the interest rates) offered by the BOCOM Group for the deposit of funds to ensure that such terms are no less favourable to the Group than those offered to it by independent financial institutions;
- (e) In relation to the Financial Technology Services Framework Agreement, BOCOM Financial Technology will adopt the following internal approval and monitoring procedures:

Before BOCOM Financial Technology confirms the pricing and terms of a project under the Financial Technology Services Framework Agreement, the project will be categorised into one of four progressive price levels, to be considered and approved by the following authority:

<b>Approval unit</b>	<b>Price level</b>
1. The head of department responsible for the project	Lowest
2. A responsible member of the senior management or the chief executive of BOCOM Financial Technology	Relatively low
3. Pricing committee	Relatively high
4. Executive committee comprising of the senior management of BOCOM Financial Technology	Highest

The unit responsible for the pricing review will consider the pricing for two or more independent third parties in respect of financial technology services of a similar nature and scale, in order to determine whether the proposed pricing and



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## LETTER FROM THE BOARD

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terms of the project under the Financial Technology Services Framework Agreement are fair, reasonable, and no less favourable than those offered to independent third parties.

Because of the inherently highly-customised nature of provision of financial technology services, should there be any cases where no pricing for independent third parties can be ascertained for the purpose of the above comparison, the unit responsible for the pricing review will take into account factors such as (i) project cost; (ii) prevailing market conditions; and (iii) pricing reasonableness, to ensure that the service fee to be charged by the Group to the BOCOM Group complies with the principle of marketisation to protect the interests of Shareholders.

The Company will continue to follow ongoing monitoring procedures, including compiling year-to-date transaction amount by the designated staff member of the Finance and Accounting Department on a monthly basis.

If the value of any proposed connected transaction is anticipated to exceed the proposed annual caps, the relevant staff responsible for overseeing the connected transactions will report the proposed transaction to the Company Secretary and the Legal and Compliance Department of the Company in order for the Company to commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

In addition to the procedures adopted above, in accordance with the Company's existing internal approval and monitoring procedures in relation to continuing connected transactions, the Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the transactions entered into with the BOCOM Group under the Non-exempt Agreements as required under the Listing Rules. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the said transactions under the Non-exempt Agreements have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the transactions have not been approved by the Board, are not in accordance with the pricing policies of the Group in all material respects, are not entered into in accordance with the relevant agreement governing the transactions in all material respects or have exceeded the annual caps for such transactions.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE RENEWAL OF THE NON-EXEMPT AGREEMENTS

#### 1. Financial Services Framework Agreement

The transactions contemplated under the Financial Services Framework Agreement are and will be conducted in the ordinary and usual course of business of the Group and on arm's length basis with terms that are fair and reasonable to the Company. Due to the historical and future long-term cooperation relationship between the Group and the BOCOM Group, it is beneficial to the Group to renew the Financial Services Framework Agreement as the transactions thereunder have facilitated and will continue to facilitate the overall business operations and growth of the Group's business.

Furthermore, the transactions under the Financial Services Framework Agreement will provide cost synergies by integrating advantageous resources between the Group and the BOCOM Group, thereby reducing the aggregate operational costs and general expenses so as to improve the profitability and to strengthen the leading position of the Company in the financial industry.

#### 2. Derivatives Transactions Framework Agreement

The Group enters into derivatives transactions under the Derivatives Transactions Framework Agreement to facilitate the BOCOM Group's hedging of commodity risks indirectly at offshore commodity futures exchanges. Simultaneously, the Group enters into derivatives transactions at an offshore commodity futures exchange on substantially similar prices with an insignificant spread and on otherwise identical commercial terms but in opposite direction. Under such arrangement, the Group assumes no overall risks of investment loss due to the offsetting between the trading gains and trading losses from the derivatives transactions in opposite directions, and expects to derive net trading gains due to the spread between the trading price with the BOCOM Group and the trading price at the offshore commodity futures exchanges in the derivatives transactions.

#### 3. Financial Technology Services Framework Agreement

The transactions contemplated under the Financial Technology Services Framework Agreement will expand the Group's business and provide cost synergies by integrating advantageous resources between the Group and the BOCOM Group, thereby reducing the aggregate operational costs and general expenses so as to improve profitability. The Financial Technology Services Framework Agreement will facilitate the overall business operations and growth of the Group's business.

### INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in securities brokerage, margin financing, corporate finance and underwriting, investment and loans, and asset management and advisory businesses. The regulated

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## LETTER FROM THE BOARD

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activities carried out by the Company's licensed subsidiaries include dealing in securities and futures and advising on securities and futures contracts, providing securities margin financing, advising on corporate finance and providing asset management services.

As at the Latest Practicable Date, the Company is owned as to 73.14% by BOCOM and its associates.

### INFORMATION ON BOCOM GROUP

BOCOM is a state-owned joint-stock commercial bank registered in the PRC, with its A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange. BOCOM provides the customers with various corporate and personal financial products and services, such as deposits and loans, supply chain finance, cash management, international settlement and trade financing, investment banking, asset custody, wealth management, bank cards, private banking, treasury businesses, etc. In addition, the BOCOM Group is involved in businesses such as financial leasing, fund, wealth management, trust, insurance, overseas securities, and debt-to-equity swap through wholly-owned or controlling subsidiaries.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, BOCOM and its associates held approximately 73.14% of the issued Shares. Therefore, BOCOM is the controlling shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Non-exempt Transactions constitute continuing connected transactions of the Company under the Listing Rules.

The Directors are of the view that the continuing connected transactions under the Financial Services Framework Agreement are of the same nature and are entered into by the Group with parties who are connected with one another, and therefore the relevant revenues and fees and commissions should be aggregated respectively under Rules 14A.81 and 14A.82(1) of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the Non-exempt Transactions under the Non-exempt Agreements, on an annual basis, is 5% or more respectively, the Automatic Renewal of the Non-exempt Agreements and the Non-exempt Transactions (including the proposed annual caps therefor) will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Non-exempt Agreements and the Non-exempt Transactions (including the proposed annual caps therefor). The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE BOARD

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### BOARD APPROVAL

The Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser in respect of the Non-exempt Agreements) are of the view that (i) the terms of the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor) are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; and (ii) the Non-exempt Agreements and the respective Non-exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Due to the executive roles of Ms. LIN Zhihong and Ms. PO Ying in the BOCOM Group, such non-executive Directors have abstained from voting on the relevant Board resolutions in respect of the approval of the Automatic Renewal of the Non-exempt Agreements and the Non-exempt Transactions. In addition, Ms. LIN Zhihong and Ms. PO Ying are also employees of BOCOM. Save as disclosed above, none of the Directors has a material interest in the Automatic Renewal of the Non-exempt Agreements and the Non-exempt Transactions and none of them has abstained from voting on the relevant Board resolutions.

### EGM

The Company will hold the EGM on Wednesday, 29 June 2022 at 11:30 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day and the same location, whichever is later, at Conference Room 1, 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and online through the online platform [https://meetings.computershare.com/BOCOMI\\_2022EGM](https://meetings.computershare.com/BOCOMI_2022EGM), at which resolutions will be proposed for the purpose of considering, and if thought fit, approving the Automatic Renewal and the respective Non-exempt Transactions (including the proposed annual caps therefor). The notice to convene the EGM is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bocomgroup.com](http://www.bocomgroup.com)).

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## LETTER FROM THE BOARD

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In light of the continuing risks posed by COVID-19 and the current regulatory requirements and guidelines under the laws of Hong Kong, the EGM will be a hybrid meeting. **The Company encourages Shareholders to exercise their rights to attend and vote at the EGM by electronic facilities.** Other than those who are required to attend the EGM physically to form a quorate meeting, Shareholders will not be able to gain access to the meeting venue of the EGM in person. **All Shareholders are encouraged to (i) appoint the Chairman of the EGM as their proxy** by completing the enclosed form of proxy in accordance with the instructions printed on the form and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM or any adjournment of the EGM (as the case may be); **or (ii) attend, raise questions and vote at the EGM electronically through the online platform. There will be no distribution of gifts at the EGM.** For details, please refer to the section headed "SPECIAL ARRANGEMENTS FOR THE EGM" of this circular.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022 (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the EGM. No transfer of the Shares may be registered during the said period. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Thursday, 23 June 2022.

### VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, all votes at the EGM will be conducted by way of poll.

BOCOM and its associates hold 73.14% of the issued Shares and since BOCOM and its associates are considered to have a material interest in the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor), BOCOM and its associates shall abstain from voting on the relevant resolutions to approve the same pursuant to the Listing Rules. Save as disclosed above, to the best of the information and knowledge of the Company, no other existing Shareholder is required to, or otherwise will, abstain from voting on the relevant resolutions to approve the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed caps therefor) for the purpose of the Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 37 to 38 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Automatic Renewal and the respective Non-exempt Transactions (including the proposed annual caps therefor); (ii) the letter from the Independent Financial Adviser, set out on pages 39 to 82 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Automatic Renewal and the respective Non-exempt Transactions (including the proposed annual caps therefor); and (iii) additional information set out in the Appendix I to this circular.

The Directors (including the independent non-executive Directors) and the Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, consider that (i) the terms of the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor) are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; and (ii) the Non-exempt Agreements and the respective Non-exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders vote in favour of the resolutions to approve the Automatic Renewal and the respective Non-exempt Transactions (including the proposed annual caps therefor) to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
By order of the Board  
**BOCOM International Holdings Company Limited**  
**TAN Yueheng**  
*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Non-exempt Transactions.*



**BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED**

**交銀國際控股有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 3329)**

2 June 2022

*To the Independent Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 2 June 2022 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders as to (i) whether the terms of the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor) are fair and reasonable as far as the Independent Shareholders are concerned; (ii) whether the Non-exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group in the interests of the Company and the Shareholders as a whole; and (iii) whether to recommend the Independent Shareholders vote in favour of the resolution(s) to be proposed at the EGM to approve the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor).

We wish to draw your attention to (i) the letter from the Independent Financial Adviser containing details of the advice from the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration, as set out on pages 39 to 82 of the Circular; and (ii) the letter from the Board as set out on pages 5 to 36 of the Circular.

Having taken into account the opinion of the Independent Financial Adviser as set out in its letter, we consider that (i) the terms of the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor) are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; and



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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(ii) the Non-exempt Agreements and the respective Non-exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor).

Yours faithfully,

For and on behalf of the Independent Board Committee

**BOCOM International Holdings Company Limited**

**Mr. TSE Yung Hoi**  
*Independent non-executive  
Director*

**Mr. MA Ning**  
*Independent non-executive  
Director*

**Mr. LIN Zhijun**  
*Independent non-executive  
Director*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the renewal of the Non-exempt Transactions, which have been prepared for the purpose of incorporation in this circular.*

# ALTUS.

**Altus Capital Limited**  
21 Wing Wo Street,  
Central, Hong Kong

2 June 2022

*To the Independent Board Committee and the Independent Shareholders*

**BOCOM International Holdings Company Limited**  
9/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

Dear Sir and Madam,

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Transactions (including the proposed annual caps therefor) under the Financial Services Framework Agreement, the Derivatives Transactions Framework Agreement and the Financial Technology Services Framework Agreement. Details of the respective Non-exempt Transactions are set out in the “Letter from the Board” contained in the circular of the Company dated 2 June 2022 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Financial Services Framework Agreement, Derivatives Transactions Framework Agreement and Financial Technology Services Framework Agreement will expire on 31 December 2022 and shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules.

The Company intends to continue to enter into transactions of similar nature after 31 December 2022. The Automatic Renewal of each of the Non-exempt Agreements shall, subject to the approval of the Non-exempt Transactions and the proposed annual caps therefor having been obtained from the relevant authoritative bodies (including the Board and/or the Independent Shareholders as necessary) in accordance with the applicable Listing Rules, take effect on 1 January 2023.

## **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, BOCOM and its associates held approximately 73.14% of the issued Shares, and hence is a connected person of the Company. Therefore, BOCOM is the controlling shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Non-exempt Transactions constitute continuing connected transactions of the Company under the Listing Rules.

The Directors are of the view that the continuing connected transactions under the Financial Services Framework Agreement are of the same nature and are entered into by the Group with parties who are connected with one another, and therefore the relevant revenues and fees and commissions should be aggregated respectively under Rules 14A.81 and 14A.82(1) of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the Non-exempt Transactions under the Non-exempt Agreements, on an annual basis, is 5% or more respectively, the Automatic Renewal of the Non-exempt Agreements and the Non-exempt Transactions (including the proposed annual caps therefor) will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to the executive roles of Ms. LIN Zhihong and Ms. PO Ying in the BOCOM Group, such non-executive Directors have abstained from voting on the relevant Board resolutions in respect of the approval of the Automatic Renewal of the Non-exempt Agreements and the Non-exempt Transactions. In addition, Ms. LIN Zhihong and Ms. PO Ying are also employees of BOCOM. Save as disclosed above, none of the Directors has a material interest in the Automatic Renewal of the Non-exempt Agreements and the Non-exempt Transactions and none of them has abstained from voting on the relevant Board resolutions.

## **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun, has been established to advise the Independent Shareholders as to (i) whether the terms of the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor) are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) whether the Non-exempt Agreements and the respective Non-exempt Transactions are on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in respect of the ordinary resolutions at the EGM, taking into account the recommendations of the Independent Financial Adviser.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT FINANCIAL ADVISER

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 terms of Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor) are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; (ii) whether the Non-exempt Agreements and the respective Non-Exempt Transactions are on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating thereto to be proposed at the EGM.

We had acted as the independent financial adviser to the Company with regards to (i) the revision of annual caps of continuing connected transactions contemplated under the Derivatives Transactions Framework Agreement, details of which are set out in the circular of the Company dated 4 June 2020; (ii) the continuing connected transactions contemplated under the Financial Technology Services Framework Agreement, details of which are set out in the circular of the Company dated 7 December 2020; and (iii) the revision of annual caps of the continuing connected transactions contemplated under the Financial Services Framework Agreement, details of which are set out in the circular of the Company dated 7 June 2021. Saved for the aforesaid engagements, we have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the continuing connected transactions as contemplated under the Non-exempt Agreements (including the annual caps) is at market level and not conditional upon successful passing of the resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling Shareholder(s) or connected person(s).

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Financial Services Framework Agreement, the Derivatives Transactions Framework Agreement and the Financial Technology Services Framework Agreement; (ii) the interim report of BOCOM for the six months ended 30 June 2021 (the “**2021 BOCOM Interim Report**”) and annual report of BOCOM for the year ended 31 December 2021 (the “**2021 BOCOM Annual Report**”); (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); and (iv) other information set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at

the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading.

We have no reason to believe that any such statements, information, opinions or representations we relied on forming our opinion are untrue, inaccurate or misleading. We have relied on such statements, information, opinions and representations. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

## **1. BACKGROUND**

### **1.1 Principal businesses and prospects of the Group**

#### *1.1.1 Principal businesses of the Group*

The Group is principally engaged in four core businesses: (i) securities brokerage and margin financing, including executing trades on behalf of clients in stocks, bonds, futures, options and other marketable securities and offering collateralised financing relating to securities transactions to both retail and institutional customers; (ii) corporate finance and underwriting, which provides services ranging from IPO sponsorship, equity securities underwriting, debt securities underwriting, mergers and acquisitions, pre-IPO financing, and financial advisory; (iii) asset management and advisory, including management of public and private funds and discretionary managed accounts, and investment advisory services; and (iv) investment and loans, entailing investment in various equity and debt securities as well as public and private funds, and structured financing and loans to enterprises.

#### *1.1.2 Financial performance of the Group*

According to the 2021 Annual Report, the Group's revenue and other income for the year ended 31 December 2021 was approximately HK\$1,642.6 million, representing a decrease of approximately 25.2% when compared with approximately HK\$2,194.8 million for the year ended 31 December 2020.

Such decrease was mainly attributable to (i) the trading loss of HK\$140.0 million in relation to the Group's guarantee on the returns of certain asset management arrangement managed by the Group under the asset management and advisory business; and (ii) an approximately 22.4% decrease in income from

the investment and loans business. The revenue of the Group's other businesses for the year ended 31 December 2021 remained relatively stable as compared to 2020.

The Group's profit for the year ended 31 December 2021 was approximately HK\$312.4 million, representing a decrease of approximately 63.3% from approximately HK\$851.2 million in 2020.

### ***1.1.3 Prospects of the Group***

As disclosed in the 2021 Annual Report, the Group will make active efforts to fulfill the responsibilities of serving the national strategies, serving "affairs that are of vital importance to the nation" and serving the real economy. By seizing the opportunities arising from the national "dual circulation" new development pattern, and sticking to the business model of a balanced and synergetic development of asset business and licensed business, the Group will leverage on its extensive resources and make strenuous efforts to strengthen its capability in providing financial technology and wealth management services, continuously to offer customers with integrated financial services throughout the industrial chain. The Company will formulate targeted strategies to promote the overall digital transformation, and lead business development with a focus on financial technology sector, with an aim to improve customer experience and service efficiency. The Group will strictly uphold the risk appetite of "prudence, stability and compliance" and underscore the significance of asset quality, so as to ensure a balance development of business scale, development quality and operation profitability, in an effort to create greater value for customers and shareholders continuously.

## **1.2 Principal businesses of the BOCOM Group**

BOCOM is a state-owned joint-stock commercial bank registered in the PRC, with its A shares listed on the Shanghai Stock Exchange and H Shares listed on the Stock Exchange. BOCOM provides the customers with various corporate and personal financial products & services, such as deposits and loans, supply chain finance, cash management, international settlement and trade financing, investment banking, asset custody, wealth management, bank cards, private banking, treasury businesses, etc. In addition, the BOCOM Group is involved in businesses such as financial leasing, fund, wealth management, trust, insurance, overseas securities, and debt-to-equity swap through wholly-owned or controlling subsidiaries.

### **1.3 Relationship of the Group with the BOCOM Group**

BOCOM is a substantial Shareholder and the ultimate controlling shareholder of the Company. As at the Latest Practicable Date, BOCOM held approximately 73.14% of the total number of issued Shares of the Company. The Group continues to serve as an overseas business platform of BOCOM and the BOCOM Group. Through establishing or shareholding various subsidiaries with capital injection, the Group implements the overseas strategies of the BOCOM Group and develops its overseas financial businesses. Similarly, the relationship with the BOCOM Group accelerates the Group's business growth, which is supported by the greater demand from cross-border investing and financing services. Being the international flagship of BOCOM, the Group is committed to building a comprehensive financial services institution with global influence and regional market leadership.

## **2. REASONS FOR AND BENEFITS OF THE RENEWAL OF NON-EXEMPT AGREEMENTS**

### **2.1 Financial Services Framework Agreement**

As described in paragraph 1.1.1 above, we noted that it is in the ordinary course of business of the Group, to provide various financial services to its clients, which include the BOCOM Group. Hence, it is reasonable to expect that in view of the BOCOM Group's requirement for certain financial services and the Group's qualifications, expertise and experience in providing such financial services, the BOCOM Group had and will continue to engage the Group to provide financial services as contemplated under the Financial Services Framework Agreement. In addition, due to the business requirements of the Group in its daily operations, the Group had and will also continue to engage the BOCOM Group to provide various financial services as contemplated under the same agreement.

The transactions under the Financial Services Framework Agreement will provide cost synergies by integrating advantageous resources between the Group and the BOCOM Group, thereby reducing the aggregate operational costs and general expenses so as to improve the profitability and to strengthen leading position of the Company in the financial industry.

### **2.2 Derivatives Transactions Framework Agreement**

We noted that it is in the ordinary course of business of the Group to enter into derivatives transactions as contemplated under the Derivatives Transactions Framework Agreement with the BOCOM Group to facilitate its hedging of commodity risk at offshore commodity futures exchanges, including the New York Mercantile Exchange. As mentioned in the "Letter from the Board", the Group assumes no overall risks of investment loss due to the offsetting between the trading gains and trading losses from the derivatives transactions in opposite directions, and expects to derive net trading gains due to the spread between the trading price with the BOCOM Group and the trading price at the offshore commodity futures exchanges in the derivatives transactions.



### **2.3 Financial Technology Services Framework Agreement**

According to the 2021 BOCOM Interim Report, digital transformation has been promoted to BOCOM Group's strategic level to facilitate the construction of "New Digital BoCom". According to the 2021 Annual Report, the Company will formulate targeted strategies to promote the overall digital transformation, and lead business development with a focus on financial technology sector, with an aim to improve customer experience and service efficiency. With experience of providing financial technology services to the BOCOM Group since 2021, it is reasonable to expect the BOCOM Group will continue to engage the Group in providing financial technology services as contemplated under the Financial Technology Services Framework Agreement. As such the Financial Technology Services Framework Agreement will facilitate the overall business operations and growth of the Group's business.

### **2.4 Section summary**

As an international flagship of securities and financial services established overseas by the BOCOM Group, the Group stands to continue benefiting from synergies with the BOCOM Group, namely cost efficiency for various services by integrating advantageous resources between the Group and the BOCOM Group.

Given that (i) the objective for the Company to enter into the Non-exempt Agreements is to govern all the existing and future provision of financial services, derivatives transactions and financial technology services between the Group and the BOCOM Group; (ii) such Non-exempt Agreements outline the principles, the mechanism and terms and conditions (including the pricing policies) for each types of transactions for the parties to follow; (iii) the Group's business growth opportunities arise from the PRC demand and the Company, with BOCOM's support, intends to strengthen its cross-border investing and financing services; and (iv) the respective Non-exempt Transactions are expected to be of a recurrent nature and in the ordinary and usual course of business for both the Group and the BOCOM Group, we consider that (i) the renewal of the Non-exempt Agreements; and (ii) the Non-exempt Transactions are in the interests of the Company and its Shareholders as a whole.

## **3. PARTICULARS OF THE NON-EXEMPT TRANSACTIONS**

For details of the principal terms of the Non-exempt Agreements, please refer to the paragraph headed "(A) Principal terms" as set out in the "Letter from the Board" contained in the Circular.

Set out below are the particulars of the respective Non-exempt Transactions.

### 3.1 The Financial Services Framework Agreement

#### *3.1.1 Financial services provided by the Group to the BOCOM Group:*

##### *3.1.1.1 Securities brokerage settlement and subscription of new shares*

###### Outline of securities brokerage settlement and subscription of new shares

The BOCOM Group refers certain securities brokerage transactions of its customers to the Group for securities trading and brokerage transactions and pays commission to the Group. Each of BOCOM (Hong Kong Branch) and BOCOM (Hong Kong) will, among other things, refer no less than 90% in terms of transaction value of the securities brokerage transactions on the Stock Exchange of its customers each year to the Group for securities trading and brokerage settlement.

The BOCOM Group also uses broker number under the Exchange Participantship of the Group for subscription of new shares by its customers. The Group will on-pay the entire gross brokerage commission received therefrom to the BOCOM Group.

###### Pricing policy of securities brokerage settlement and subscription of new shares

According to the “Letter from the Board”, the fees and commissions payable by the BOCOM Group to the Group for securities brokerage settlement and subscriptions of new shares are normally in the region of 0.01%, which are determined by arm’s length negotiation after taking into account factors, including (i) the prevailing market rates and the rates normally applicable to independent third parties for similar types of transactions at the time of the transaction; (ii) the expected significant trading volume of and revenue from the securities brokerage transactions to be referred by the BOCOM Group to the Group for securities trading and brokerage settlement; (iii) the scope and extent of the services to be provided by the Group; (iv) the fact that the transactions involve customers of the BOCOM Group but not customers of the Group and the insignificant marketing expenses and efforts required of the Group; and (v) the fact that the orders will be placed through the trading system of the BOCOM Group but not that of the Group and the immaterial additional costs to the Group for permitting the BOCOM Group to use the broker number under the Exchange Participantship of the Group for subscription of new shares by its customers as the human resources and infrastructure required have already been put in place by the Group for the purposes of conducting other businesses of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that different brokerage fees, rates and commissions may be charged subject to expected total brokerage transaction value of the customers referred by the BOCOM Group and the scope of service the Group offered to the customers, we have obtained and reviewed (i) the underlying agreement between the Group and the BOCOM Group setting out the securities brokerage commission rates offered to the BOCOM Group; (ii) full list of securities brokerage settlement records for same dates in 2020, 2021 and 2022, which set out consistent commission rates charged by the Group to the BOCOM Group; and (iii) all securities brokerage settlement records on the same dates in 2020, 2021 and 2022 (nine transaction records in total) showing the commission rates charged by the Group to independent third party clients. We note that the Group offered securities brokerage services to the BOCOM Group at commission rates which are generally lower than those applicable to the independent third party clients.

Regarding the securities brokerage settlement services, as advised by the Management, orders will be placed through the trading system of the BOCOM Group but not that of the Group. As such, while the fee rates offered to the BOCOM Group was lower than those applicable to the independent third party clients, the revenue generated from securities brokerage settlement services offered to the BOCOM Group only incurs insignificant marketing expenses and efforts of the Group. Considering that (i) there is limited risk borne by the Group by providing securities brokerage settlement services to the BOCOM Group as the key procedures of securities brokerage services such as “Know Your Client” and execution of trades are conducted by the BOCOM Group itself; (ii) the Group is able to provide securities brokerage settlement services to the BOCOM Group without compromising its existing capacity to provide services to the Group’s own customers; (iii) the commission rates to be charged are subject to the total brokerage transaction value; and (iv) the transaction value of the customers referred by the BOCOM Group accounted for approximately 52% of the Group’s total transaction value for the year ended 31 December 2021, we concur with the Management that the commission rates charged by the Group in respect of providing securities brokerage settlement services to the BOCOM Group are justifiable and reasonable.

Regarding the subscription of new shares, the services offered to the BOCOM Group is limited to allowing the BOCOM Group to use the broker number under the Exchange Participantship of the Group for subscription of new shares by its customers. Such arrangement is due to the BOCOM Group lacking a broker number under the Exchange Participantship. Considering that (i) the Group bears no risk arising from the arrangement between the BOCOM Group and its customers in relation to subscription of new shares; and (ii) the immaterial additional costs to the Group for permitting the BOCOM Group to use the broker number under the Exchange Participantship of the Group for subscription of new shares by its customers as the human resources and infrastructure required have already

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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been put in place by the Group for the purposes of conducting other businesses of the Group, we concur with the Management that on-payment of the entire gross brokerage commission is justifiable and reasonable.

Historical transaction amounts and historical annual caps for securities brokerage settlement and subscription of new shares

The historical transaction amounts and historical annual caps in respect of securities brokerage settlement and subscription of new shares contemplated under the Financial Services Framework Agreement for the respective year ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	Year ended 31 December			Three months ended
	2019	2020	2021	31 March 2022
	<i>(HK\$ million)</i>			
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>				
<b>Securities brokerage settlement and subscription of new shares</b>				
Historical transaction amounts	7.4	10.8	11.2	2.3
Historical annual caps	20.0	19.6	23.5	28.2
Utilisation rate	37.0%	55.1%	47.7%	8.2%
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>				
<b>On-payment of securities brokerage commission for subscription of new shares</b>				
Historical transaction amounts	0.8	1.5	1.2	0
Historical annual caps	2.7	2.8	3.4	4.0
Utilisation rate	29.6%	53.6%	35.3%	0%

As advised by the Management, the relatively low utilisation rates of securities brokerage settlement and subscription of new shares for the three years ended 31 December 2021 were mainly due to that the historical annual caps were determined based on optimal scenario such as favourable economic conditions to cater for possible demand from BOCOM's customers. Considering that the demand for securities brokerage settlement and subscription of new shares services are ultimately dependent on the demands of retail and institutional clients and that the outbreak of COVID-19 which affected the economy and investors' sentiment, thus the utilisation rates of securities brokerage settlement and subscription of new shares were relatively low from 2020 to 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### The proposed annual caps for securities brokerage settlement and subscription of new shares

The proposed annual caps in relation to securities brokerage settlement and subscription of new shares under the Financial Services Framework Agreement for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	<b>Proposed annual caps</b>		
	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(HK\$ million)</i>		
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>			
Securities brokerage settlement and subscription of new shares	27.5	33.0	39.6
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>			
On-payment of securities brokerage commission for subscription of new shares	3.4	3.7	4.1

As advised by the Management, the proposed annual caps in respect of securities brokerage settlement and subscription of new shares contemplated under the Financial Services Framework Agreement were determined with reference to the following:

- (i) the historical revenue derived by the Group in respect of the securities brokerage transactions referred to the relevant member of the Group for securities trading and brokerage settlement and the arrangements under which the BOCOM Group used the broker number under the Exchange Participants of the relevant member of the Group for subscription of new shares by its customers;
- (ii) the annual potential growth in demand for securities trading and brokerage settlement and subscription of new shares of the customers of the BOCOM Group over the three years ending 31 December 2025 and the Group's growth plan regarding these services, in particular, the daily market turnover from securities trading and brokerage settlement, and the expected annual growth rate of 20% in such daily market turnover in each of the three years ending 31 December 2023, 2024 and 2025;

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We noted that the Management has applied (i) an approximate historical 28.8% growth rate of average daily turnover of the securities traded on the Stock Exchange from 2020 to 2021 to derive the proposed annual caps for the year ending 31 December 2023; and (ii) a 20% estimated growth in the average daily turnover of securities traded for 2023 to 2025. Both of them are prudent estimates based on the growth in the average daily turnover of the Hong Kong stock market in general, increased by approximately 48.6% from 2019 to 2020 and further increased by approximately 28.8% from 2020 to 2021 according to the annual market statistics published by the Stock Exchange.

We noted that the Management also projected an annual growth of 10% of demand for subscription of new shares from the customers referred by the BOCOM Group over the three years ending 31 December 2025. Considering (i) the market expectations of the return of China concepts stocks to Hong Kong; and (ii) historical fluctuations in total fund raised in Hong Kong IPO (i.e. increase of 26.5% from 2019 to 2020; and decrease of 17.28% from 2020 to 2021), we are of the view that the 10% annual growth in demand for subscription of new shares and thus the proposed annual caps in respect of on-payment of securities brokerage commission for subscription of new shares is justifiable;

- (iii) the fact that the BOCOM Group would refer no less than 90% in terms of transaction value of the securities brokerage transactions on the Stock Exchange of its customers each year to the Group for securities trading and brokerage settlement; and

Based on the market share data provided by the Management, we noted that the Management has taken into account the historical market share of BOCOM (Hong Kong) in arriving at the proposed annual caps in respect of securities brokerage settlement.

- (iv) the market sensitivity of the brokerage transactions and the passive role of the Group.

After taking into account (i) the increasing trading activities on Hong Kong stock market as mentioned above; (ii) the market sensitivity nature of the brokerage transactions; (iii) the passive role of the Group in the securities brokerage settlement and subscription of new shares for customers referred by the BOCOM Group; (iv) that the economic activities may eventually return to normal based on effective and efficient control measures of COVID-19; and (v) the slight decrease of the proposed annual cap for the year ending 31 December 2023 as compared to the historical annual caps, we are of the view that it is essential and reasonable to look forward to the

future with a sufficient annual caps and thus the proposed annual caps in respect of securities brokerage settlement and subscription of new shares are justifiable and reasonable.

Having considered the factors set out above and our work performed as set out under the paragraphs headed “Pricing policy of securities brokerage settlement and subscription of new shares”, “Historical transaction amounts and historical annual caps for securities brokerage settlement and subscription of new shares” and “The proposed annual caps for securities brokerage settlement and subscription of new shares” above, we are of the view that (i) the relevant terms of the securities brokerage settlement and subscription of new shares under the Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Transactions in relation to securities brokerage settlement and subscription of new shares are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the relevant annual caps are fair and reasonable.

#### *3.1.1.2 Investment advisory and management services*

##### Outline of investment advisory and management services

The Group provides investment advisory and management services to certain funds controlled or sub-contracted by the BOCOM Group or which have the BOCOM Group as the general partner, and receives fund management fee income from the BOCOM Group. Such funds are mainly composed of those sub-contracted by the BOCOM (Macau Branch) with the remaining controlled by BOCOM or its other subsidiaries.

##### Pricing policy of investment advisory and management services

The fees for the investment advisory and management services provided by the Group are payable by the BOCOM Group in accordance with the rates set out in the relevant fund management agreements which will be determined based on arm’s length negotiation after taking into account factors including (i) the extent of the Group’s involvement in sourcing of transactions; (ii) the prevailing market rates for investment advisory and management services of similar types and nature; (iii) the AUM of the relevant funds in respect of which the Group provides investment advisory and management services; (iv) the fees that the Group charges independent customers for similar advisory and management services; and (v) the types of the funds involved and their investment strategies and focus which may affect the resources required for providing the management services. For targeted asset management schemes, the Group charges management fees on the basis of a specified percentage of the AUM. For specialised asset management schemes, the management fee rates will also take into account the purpose of the asset management scheme and the industry involved.



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### The proposed annual caps for investment advisory and management services

The proposed annual caps in relation to investment advisory and management services under the Financial Services Framework Agreement for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	<b>Proposed annual caps</b>		
	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(HK\$ million)</i>		
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>			
Investment advisory and management services	89.9	93.4	97.0

The proposed annual caps in respect of the investment advisory and management services contemplated under the Financial Services Framework Agreement were determined with reference to the following:

- (i) the historical investment advisory and management service fees paid by the BOCOM Group to the Group during the three financial years ended 31 December 2021;
- (ii) the existing funds controlled by the BOCOM Group or which have the BOCOM Group as the general partner;
- (iii) the estimated annual growth of 5% in AUM controlled by the BOCOM Group (excluding BOCOM (Macau Branch)) or which have the BOCOM Group as the general partner for each of the three years ending 31 December 2025; and
- (iv) the estimated growth of AUM of BOCOM (Macau Branch) which requires investment advisory and management services from the Group for the three years ending 31 December 2025.

According to the Management, the Group intends to expand its business of investment advisory and management services to Mainland China via the BOCOM International (Shanghai) Equity Investment Management Company Limited (“**BOCOM International (Shanghai)**”) in Shanghai and BOCOM International Equity Investment Management (Shenzhen) Company Limited in Qianhai, Shenzhen. In January 2022, the Group, under the assistance of BOCOM Hebei Branch and BOCOM Xiongan Branch, established the first QFLP fund in Hebei Province and Xiongan New Area. The Group further plans to establish new funds in the Yangtze River Delta during 2023 to 2025 with an aim to increase total AUM by RMB6



billion, which may attract investment from its existing and potential investors, including the BOCOM Group. As advised by the Management, the establishment and expansion the Group's presence in Mainland China further enhanced the cooperation between the Group and the BOCOM Group and is expected to improve the Group's capability of providing cross-boundary investment advisory and management services to its customers, including the BOCOM Group.

Furthermore, according to the 2021 BOCOM Annual Report, the net balance of investment securities recorded by the BOCOM Group as at 31 December 2021 was approximately RMB3,523.2 billion, while as advised by the Management, only approximately USD377 million (equivalent to approximately HK\$2.9 billion) out of such investment securities (excluding those controlled by BOCOM (Macau Branch)) was under the investment management of the Group. As such, the Management considers that there is ample headroom for BOCOM Group's demand for investment management services to be provided by the Group to increase. Taking in to account (i) the current size of investment securities recorded by the BOCOM Group and the proportion thereof managed by the Group; (ii) the Management's understanding from the BOCOM Group's intention to increase the AUM of the relevant funds in respect of which the Group provides investment advisory and management services; (iii) the Group's plan to establish new funds in Yangtze River Delta with an aim of RMB6 billion AUM, the Management believes, and we concur, that assuming the respective AUM increasing from USD377 million (equivalent to approximately HK\$2.9 billion) to approximately HK\$14 billion for the year ending 31 December 2023 and growing at 5% per annum over the three years ending 31 December 2025 is justifiable.

We understand from the Management that the funds controlled by BOCOM (Macau Branch) is from a reputable Macau fund. The AUM of the funds controlled by the BOCOM (Macau Branch) was approximately MOP3.0 billion in 2020 and MOP2.4 billion in 2021. Given the stable sources of funding and the historical AUM, we concur with the Management that it is fair and reasonable to use the AUM of MOP3.0 billion to derive the annual caps over the three years ending 31 December 2025.

Notwithstanding that the relevant historical annual cap had not been fully utilised, the Management takes the view and we concur that there may be more demand from the BOCOM Group for investment advisory and management services after considering the factors above, and as such we consider the proposed annual caps for investment advisory and management services to be justifiable.



Section summary

Having considered the factors set out above and our work performed as set out under the paragraphs headed “Pricing policy of investment advisory and management services”, “Historical transaction amounts and historical annual caps for investment advisory and management services” and “The proposed annual caps for investment advisory and management services” above, we are of the view that (i) the relevant terms of the investment advisory and management services under the Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Transactions in relation to investment advisory and management services are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the relevant annual caps are fair and reasonable.

*3.1.1.3 Underwriting, securities issuance and advisory services*

Outline of underwriting, securities issuance and advisory services

The Group provides underwriting, sponsoring and securities issuance services in respect of equity and debt securities and advisory services to the BOCOM Group and receives underwriting commissions, sponsor fees and advisory fees for providing such services.

Pricing policy of underwriting, securities issuance and advisory services

The fees for the underwriting, sponsoring, securities issuance and advisory services provided by the Group are payable by the BOCOM Group in accordance with the rates set out in the relevant underwriting, sponsoring, advisory or other engagement agreements that may be entered into by the Group and the BOCOM Group. The rate for underwriting and securities issuance normally ranges from approximately 0.1% to 2.0% of the gross proceeds from the securities which the Group has underwriting commitment or the securities issued (as the case may be). The underwriting commissions, sponsoring fees and securities issuance fees will be determined by arm’s length negotiation after taking into account factors including the capital market conditions, the size of the proposed issuance, the commission and fee rates charged in respect of recent issuance of similar nature and scale, the market demand for the securities to be issued and the rates that the Group charges independent third parties for similar services. The securities underwriting market is highly competitive and the underwriting commission rates, sponsor fees and securities issuance fees have become generally transparent and standardised across the market, which enables the Group to adopt a market-based pricing approach. The fees for advisory services are determined by arm’s length negotiation after taking into account factors including the nature of the advisory services involved, the scale and

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complexity of the transactions or advisory projects involved and the fees and the rates that the Group charges independent third parties for similar services.

We have obtained a full list of transactions between the Group and its clients (including the BOCOM Group and independent third parties) in respect of the underwriting, securities issuance and advisory services activities since January 2020 to March 2022. We have selected and reviewed 26 sample transactions (i) between the Group and independent third parties; and (ii) between the Group and the BOCOM Group, representing over 80% of the number of transactions between the Group and the BOCOM Group. We noted that the fee rates charged by the Group to the BOCOM Group were within the range of those applicable to the independent third parties. As such, we concur with the Management that the fees charged by the Group for providing underwriting, sponsoring, securities issuance and advisory services to the BOCOM Group are fair and reasonable. We are of the view that the pricing policy of the underwriting, securities issuance and advisory services had been adhered to.

### Historical transaction amounts and historical annual caps for underwriting, securities issuance and advisory services

The historical transaction amounts and historical annual caps in respect of the underwriting, sponsoring, securities issuance and advisory services contemplated under the Financial Services Framework Agreement for the respective year ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	Year ended 31 December			Three months ended
	2019	2020	2021	31 March 2022
	<i>(HK\$ million)</i>			
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>				
<b>Underwriting, sponsoring, securities issuance and advisory services</b>				
Historical transaction amounts	5.8	7.9	2.3	0
Historical annual caps	41.0	70.2	70.2	70.2
Utilisation rate	14.1%	11.3%	3.3%	0%

As advised by the Management, the low historical transaction amount and thus the low utilisation rate for the three years ended 31 December 2021 was mainly due to (i) the unexpected delay of a potential fund-raising project with a potential underwriting commitment of approximately USD300 million; and (ii) the outbreak of COVID-19 which negatively affected market sentiment during 2020 and 2021.

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### The proposed annual caps for underwriting, securities issuance and advisory services

The proposed annual caps in relation to underwriting, securities issuance and advisory services under the Financial Services Framework Agreement for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	<b>Proposed annual caps</b>		
	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(HK\$ million)</i>		
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>			
Underwriting, sponsoring, securities issuance and advisory services	74.1	74.1	74.1

According to the Management, the proposed annual caps in respect of the underwriting, sponsoring, securities issuance and advisory services contemplated under the Financial Services Framework Agreement were mainly determined by reference to the following:

- (i) the historical underwriting, sponsoring, securities issuance and advisory fees paid by the BOCOM Group to the Group over the three years ended 31 December 2021;
- (ii) the expected growth of demand for underwriting, sponsoring, securities issuance and advisory services from the Group over the three years ending 31 December 2025;
- (iii) the transactions involved will likely be on an ad hoc basis and where a relevant transaction proceeds, it may involve significant fees payable by the BOCOM Group to the Group if the scale of the underwriting commitment or the securities transactions is significant; and
- (iv) the fact that the BOCOM Group's demand for underwriting, sponsoring, securities issuance and advisory services from the Group is highly sensitive to and dependent upon the prevailing market conditions and sentiments. A significant proportion of the underlying transactions may take place within a short window of time during which market conditions and sentiments would favour the undertaking of such transactions by the BOCOM Group.

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The Management confirmed that the Group has been engaged as the key player of the potential fund-raising project as mentioned under the paragraph headed “Historical transaction amounts and historical annual caps for underwriting, securities issuance and advisory services” above and the Management believes, and we concur, that it is reasonable to expect the Group to secure an underwriting role in this company’s fund-raising activity. Should the potential fund-raising project materialise, the respective offer size is committed to be USD300.0 million. Taking into account that the potential fund-raising project may complete and the BOCOM Group may raise equity or debt funding any time during the term of the Financial Services Framework Agreement, we are of the view that it is fair and reasonable to cater for such element of income during each of the three years ending 31 December 2025.

In terms of issuance of debt securities, the proposed annual caps were determined based on, among others, the BOCOM Group’s historical size of debt securities issuance. As advised by the Management, the BOCOM Group, including BOCOM (Hong Kong Branch), has issued over US\$1 billion debt securities for each year from 2019 to 2021. As such, there is ample opportunities for the Group to participate in the underwriting of such debt securities. We noted that the Group acted as joint lead manager and joint bookrunner for two debt securities amounted to US\$350 million and US\$800 million issued by BOCOM (Hong Kong Branch) in 2020.

Notwithstanding that the relevant historical annual caps had not been fully utilised, considering the above, as well as (i) the ad hoc nature of underwriting, sponsoring, securities issuance and advisory services; (ii) the growing demand for IPO sponsorship and underwriting services given that the total amount of fund raised by equity fund-raising activities on the Stock Exchange increased by 3.18% for the year ended 31 December 2021 as compared to the preceding year; and (iii) the growing demand for underwriting, securities issuance and advisory services given that the total amount of Hong Kong dollar-denominated debt issuance increased by 5.0% in 2020 as compared to the preceding year, we concur with the Management that the proposed annual caps in relation to the underwriting, sponsoring, securities issuance and advisory services is fair and reasonable.

Having considered the factors set out above and our work performed as set out under the paragraphs headed “Pricing policy of underwriting, securities issuance and advisory services”, “Historical transaction amounts and historical annual caps for underwriting, securities issuance and advisory services” and “The proposed annual caps for underwriting, securities issuance and advisory services” above, we are of the view that (i) the relevant terms of the underwriting, securities issuance and advisory services under the Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Transactions in relation to underwriting, sponsoring,

securities issuance and advisory services are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the relevant annual caps are fair and reasonable.

**3.1.2 Financial services provided by the BOCOM Group to the Group:**

*3.1.2.1 Deposit services*

Outline of deposit services

The Group has maintained deposit accounts with the Hong Kong, Macau and Mainland China branches of BOCOM in the ordinary and usual course of its business and on normal commercial terms. The Group places both client funds and proprietary funds as deposits in such accounts opened with BOCOM. The Group receives interest on such deposits from BOCOM.

Pricing policy of deposit services

The interest rates of the deposits of the Group placed with BOCOM will be determined with reference to the market rates of deposits in the financial industry payable to independent customers for deposits of the same type and similar amounts during that period.

According to the Management, during 2020 and 2021, the majority of interest income from deposit services are derived from the RMB deposits placed in branches of BOCOM in mainland China. We have obtained and reviewed (i) the current RMB benchmark deposit interest rate promulgated by the People's Bank of China; (ii) deposit rates offered by independent third party banks which are all reputable national or regional banks in China (including Hong Kong); and (iii) the current RMB deposit rate offered by BOCOM to the Group, and noted that the RMB deposit rates offered by BOCOM to the Group are generally higher than the RMB benchmark deposit rate and those offered by independent third parties. As such, we concur with the Management that the pricing policy of the deposit services had been adhered to.

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### Historical transaction and historical annual caps for deposit services

The historical transaction and annual caps in respect of the deposit services contemplated under the Financial Services Framework Agreement for the respective year ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	Year ended 31 December			Three months ended
	2019	2020	2021	31 March 2022
	<i>(HK\$ million)</i>			
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>				
<b>Interest on deposits</b>				
Historical Transaction amounts	5.1	4.6	24.3	4.8
Historical annual caps	5.3	15.3	51.5	59.6
Utilisation rate	96.2%	30.1%	47.2%	8.1%

As advised by the Management, the relatively low historical transaction amount for the two years ended 31 December 2021 was mainly due to the unexpected faster turnover of cash of relevant funds and subsidiaries of the Group which resulted in less interest on deposit.

### The proposed annual caps for deposit services

The proposed annual caps in relation to deposit services under the Financial Services Framework Agreement for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	Proposed annual caps		
	Year ending 31 December		
	2023	2024	2025
	<i>(HK\$ million)</i>		
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>			
<b>Interest on deposits</b>			
	90	108	125

The proposed annual caps in respect of the deposit services contemplated under the Financial Services Framework Agreement were determined by reference to the following:

- (i) the potential increase in the level of deposits maintained by the Group due to future business development;
- (ii) the amount of deposit that the Group currently places in branches of BOCOM;

- (iii) the actual interest on the Group's deposits received from BOCOM during the three financial years ended 31 December 2021;
- (iv) the expected interest to be paid to the Group for each of the three years ending 31 December 2025; and
- (v) the expected trends of movements in the market interest rates.

According to the Management, the Group would place deposit in the BOCOM Group only if the offer from the BOCOM Group is comparable to or more favourable than the interest rates offered by the independent third parties. Otherwise, the Group would only maintain reasonable level of bank balances with the BOCOM Group for daily CCASS (Central Clearing and Settlement System) settlement and for clients' fund withdrawal purpose.

According to the Management, when determining the annual caps, reference was made to both historical bank balances of the Group and potential new deposits arising from funds to be setup by the Group. For Hong Kong dollar deposits, based on the historical level of deposits maintained in BOCOM (Hong Kong Branch) and BOCOM (Macau Branch), the interest on deposit may reach approximately HK\$6 million per year. For RMB deposits, the Group expects to setup funds with a total size of over RMB4 billion during the three years ending 31 December 2025. Together with the estimated new deposit of BOCOM Financial Technology and the existing level of deposits maintained in mainland branches of BOCOM, the interests on deposit may reach to over RMB75 million per year for RMB deposits only. In the view of the above, the Management takes the view, and we concur, that the proposed annual caps in relation to the deposit service is fair and reasonable.

Having considered the factors set out above and our work performed as set out under the paragraphs headed "Pricing policy of deposit services", "Historical transaction and historical annual caps for deposit services" and "The proposed annual caps for deposit services" above, we are of the view that (i) the relevant terms of the deposit services under the Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Transactions in relation to deposits services are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the relevant annual caps are fair and reasonable.

#### *3.1.2.2 Customer referral services*

##### Outline of customer referral services

The BOCOM Group from time to time refers its customers or potential customers who require services provided by the Group to open accounts with and become customers of the Group. The services provided by the Group to



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the referred customers include securities brokerage, margin financing, asset management and corporate finance services. The Group pays referral commission to certain branches of BOCOM for such customer referral services.

### Pricing policy of customer referral services

The customer referral commissions payable by the Group to the BOCOM Group are determined by arm's length negotiation after taking into account factors including the nature of services required by the customers referred by the BOCOM Group, the referral commissions payable by the Group to independent parties for customers referred for similar businesses, the market conditions, the expected number of customers to be referred by the BOCOM Group for each type of services to be provided by the Group and the industry practice.

To understand whether the pricing policy of customer referral services has been adhered to, we have obtained and reviewed (i) the operational agreements between the BOCOM Group and the Group which set out the customer referral commission rates applicable to customer referral services; and (ii) four sample transactions between the Group and independent third-party financial institutions which set out the customer referral commission rates. Based on the sample transactions reviewed, we noted that the referral commission rates charged by BOCOM for customer referral services were within the range of those charged by independent third parties. As such, we are of the view that the pricing policy of the customer referral services had been adhered to.

### Historical transaction and historical annual caps for customer referral services

The historical transaction and annual caps in respect of the customer referral services contemplated under the Financial Services Framework Agreement for the respective year ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	Year ended 31 December			Three months ended
	2019	2020	2021	31 March 2022
	<i>(HK\$ million)</i>			
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>				
<b>Customer referral services</b>				
Historical transaction amounts	2.9	5.0	8.3	1.0
Historical annual caps	27.1	15.1	20.1	26.7
Utilisation rate	10.7%	33.3%	41.4%	3.7%



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As advised by the Management, the relatively low utilisation rates of the historical annual caps for the three years ended 31 December 2021 were mainly due to that (i) the historical annual caps were determined based on optimal scenario such as favourable economic conditions to cater for possible referrals from the BOCOM Group; and (ii) the negative market sentiment arising from the outbreak of COVID-19 and the travel restriction and social distancing measures which slow down the market activities.

### The proposed annual caps for customer referral services

The proposed annual caps in relation to customer referral services under the Financial Services Framework Agreement for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	<b>Proposed annual caps</b>		
	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(HK\$ million)</i>		
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>			
Customer referral services	37.6	46.9	58.7

The proposed annual caps in respect of the customer referral services contemplated under the Financial Services Framework Agreement were determined by reference to the following:

- (i) the historical commissions paid by the Group to the BOCOM Group in respect of the customers referred by the BOCOM Group to the Group during the three financial years ended 31 December 2021; and
- (ii) the expected growth of demand for securities brokerage, margin financing, asset management and corporate finance services of potential customers referred by the BOCOM Group over the three years ending 31 December 2025.

As advised by the Management, the proposed annual caps are determined based on (i) the commencement of referral arrangement with Mainland China branches of BOCOM; and (ii) the expected annual growth rate of 25% to the historical transaction amount. The historical transaction amount of customer referral services mainly reflected the fees and commissions paid to BOCOM (Hong Kong Branch) and BOCOM (Hong Kong). With the commencement of referral arrangement with the mainland branches of BOCOM in March 2022, the Group may enjoy the clientele of a significantly larger market and therefore requires larger annual caps in anticipation of the potential referrals from the mainland branches of

BOCOM. Based on the annual market statistics published by the Stock Exchange, the total market turnover of the Hong Kong stock market increased by approximately 49.8% from 2019 to 2020 and further increased by 28.2% from 2020 to 2021. As such, we are of the view that the annual growth rate of the proposed annual caps is a prudent estimate as compared to the growth in the total market turnover of the Hong Kong stock market in general and is therefore fair and reasonable.

After taking into account (i) the increasing trading activities on Hong Kong stock market as mentioned above; (ii) the market sensitivity nature of the securities brokerage and margin financing transactions; (iii) the enhancement of collaboration with the BOCOM Group via client referrals; and (iv) the orderly ease of travel restrictions based on the implementation of vaccination programme in Hong Kong and the rest of the world, which may improve the investment appetite, we are of the view that the proposed annual caps in respect of customer referral services are justifiable and reasonable.

Having considered the factors set out above and our work performed as set out under the paragraphs headed “Pricing policy of customer referral services”, “Historical transaction and historical annual caps for customer referral services” and “The proposed annual caps for customer referral services” above, we are of the view that (i) the relevant terms of the customer referral services under the Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Transactions in relation to the customer referral services are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the relevant annual caps are fair and reasonable.

### *3.1.2.3 Fund product distribution services*

#### Outline of fund product distribution services

As one of the marketing channels for the Group’s fund products, the BOCOM Group provides product distribution services by promoting and distributing the fund products offered or managed by the Group. The Group pays commission to the BOCOM Group for such services.

#### Pricing policy of fund product distribution services

The fees and commissions payable by the Group to the BOCOM Group for the fund product distribution services will be determined by arm’s length negotiation after taking into account factors including the commissions payable by the Group to independent parties for similar product distribution services, the expected number of customers who will subscribe for fund products offered or managed by the Group through the BOCOM Group’s distribution channels and the industry practice.

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During the three years ended 31 December 2021, the BOCOM Group charged a distribution commission equivalent to a specific percentage of total management fee payable by the clients who subscribed for the Group's fund products. As the Group did not engage any independent third parties to distribute its fund products, we have obtained and reviewed two sample agreements showing the commission charged by the BOCOM Group for distributing third party fund products and noted that the distribution commission rate paid by the Group to the BOCOM Group was lower than those commission rates charged by the BOCOM Group to independent third parties. Given the relatively small historical transaction amount under the fund product distribution services, we are of the view that the sample transactions reviewed are sufficient. As such, we are of the view that the terms of the transactions regarding fund product distribution services were conducted on terms no less than favourable than those offered by the BOCOM Group to independent third parties.

Historical transaction and historical annual caps for fund product distribution services

The historical transaction and annual caps in respect of the fund product distribution services contemplated under the Financial Services Framework Agreement for the respective year ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	Year ended 31 December			Three months ended
	2019	2020	2021	31 March 2022
	<i>(HK\$ million)</i>			
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>				
<b>Fund distribution services</b>				
Historical transaction amounts	0.1	0.2	0.2	0
Historical annual caps	8.7	8.6	8.6	8.6
Utilisation rate	1.1%	2.1%	2.1%	0%

As advised by the Management, the low utilisation rates for the three years ended 31 December 2021 were mainly due to that the historical annual caps were determined based on the most optimal scenario such as favourable economic conditions and optimal utilisation of internal resources to expand the relevant business lines. However, some of the Group's fund products experienced partial redemption by clients due to negative market situations and market sentiment associated with the outbreak of COVID-19 during the same period. In 2021, while the Group commenced cooperation with more branches and subsidiaries of BOCOM on distribute the Group's fund products, such cooperation is yet to ramp up. Considering the client base of

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BOCOM (Hong Kong Branch), the Management is optimistic on the potential demands for the Group's fund products being distributed by BOCOM (Hong Kong Branch).

The proposed annual caps for fund product distribution services

The proposed annual caps in relation to fund product distribution services under the Financial Services Framework Agreement for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	<b>Proposed annual caps</b>		
	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(HK\$ million)</i>		
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>			
Fund product distribution services	15.6	21.3	27.9

The proposed annual caps in respect of the fund product distribution services contemplated under the Financial Services Framework Agreement were determined by reference to the following:

- (i) the existing funds controlled by the Group or which have the Group as general partner;
- (ii) the Group's growth plan for its fund business;
- (iii) the expected number of the Group's fund products which will utilise the BOCOM Group's marketing channels for distribution over the three years ending 31 December 2025; and
- (iv) the expected fund distribution rates for the fund products for each of the three years ending 31 December 2025.

To assess the fairness and reasonableness of the proposed annual caps for fund product distribution services, we have carried out the following work:

- (i) discussed with the Management and noted that the Group plans to expand its fund products distribution network. In particular, the Group is starting the cooperation with a provincial branch of BOCOM on distribution the Group's fund products. Such cooperation, when materialised, is expected to increase the scale of cooperation with the BOCOM Group on fund product

distribution. The Management further advised that they will continue to explore cooperation opportunities with other provincial branch of BOCOM to expand its fund business.

- (ii) obtained and reviewed the total fund products distribution amount of the BOCOM Group and noted that it had distributed fund products amounted to over RMB200 billion per quarter in 2021. Therefore, with the Group's effort to expand the fund distribution network in mainland China, it is reasonable to set a larger proposed annual caps to satisfy the potential demand from the clients of the mainland branches of BOCOM.

Having considered the factors set out above and our work performed as set out under the paragraphs headed "Pricing policy of fund product distribution services", "Historical transaction and historical annual caps for fund product distribution services" and "The proposed annual caps for fund product distribution services" above, we are of the view that (i) the relevant terms of the fund product distribution services under the Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Transactions in relation to the fund product distribution services are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the relevant annual caps are fair and reasonable.

#### *3.1.2.4 Miscellaneous banking and financial services*

##### Outline of miscellaneous banking and financial services

The Group has engaged the BOCOM Group to provide miscellaneous banking and financial services including insurance and custodian services. The Group pays service fees to the BOCOM Group for such services.

##### Pricing policy of miscellaneous banking and financial services

The fees payable by the Group to the BOCOM Group for the miscellaneous banking and financial services will be determined by arm's length negotiation after taking into account factors including the prevailing market rates for similar services provided by other banks and financial institutions. The market rates are generally transparent and standardised across the banking and financial industries.

During the three years ended 31 December 2021, majority of the transaction amount under the miscellaneous banking and financial services were custodian service fees. We have obtained and reviewed the fee schedule between the Group and Bank of Communications Trustee Limited and noted that the custodian service fees paid to the BOCOM Group was based on a percentage of the total fund size. To ascertain the fairness and reasonableness of the custodian service fees, we have obtained and reviewed four sample

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quotations obtained by the Group from independent third party custodian service providers and noted that their fee rates ranged from 0.01% to 0.1%. We noted that the custodian services fee rates charged by the BOCOM Group is within such range. All quotations are from national or regional banks in China. As such, we are of the view that the custodian service fee rate charged by the BOCOM Group to the Group is fair and reasonable.

### Historical transaction and historical annual caps for miscellaneous banking and financial services

The historical transaction and annual caps in respect of the miscellaneous banking and financial services contemplated under the Financial Services Framework Agreement for the respective year ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	Year ended 31 December			Three months ended
	2019	2020	2021	31 March 2022
	<i>(HK\$ million)</i>			
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>				
<b>Miscellaneous banking and financial services</b>				
Historical transaction amounts	2.8	3.5	3.6	0.7
Historical annual caps	12.6	11.3	14.0	17.3
Utilisation rate	22.2%	30.8%	25.9%	4.0%

As advised by the Management, the relative low utilisation rates for the three years ended 31 December 2021 was mainly due to that, while the historical annual caps were set to cater for all possible demands for miscellaneous banking and financial services, the Group mainly engaged independent third party services providers instead of the BOCOM Group for insurances.

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### The proposed annual caps for miscellaneous banking and financial services

The proposed annual caps in relation to deposit services under the Financial Services Framework Agreement for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	<b>Proposed annual caps</b>		
	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(HK\$ million)</i>		
<b>Fees and commissions paid by the Group to the BOCOM Group in respect of:</b>			
Miscellaneous banking and financial services	19.8	25.2	31.5

The proposed annual caps in respect of the miscellaneous banking and financial services contemplated under the Financial Services Framework Agreement were determined by reference to the following:

- (i) the historical fees paid by the Group to the BOCOM Group in respect of other miscellaneous banking and financial services provided by the BOCOM Group during the three financial years ended 31 December 2021; and
- (ii) the expected growth of the overall business of the Group and hence, the growth of the Group's demand for miscellaneous banking and financial services such as insurance expenses, administrative and custody fees over the three years ending 31 December 2025.

For the custodian services, the Management advised that the proposed annual caps have taken into account the historical custodian fees paid to the BOCOM Group and the assumption that all planned new funds to be set up by the Group will require the BOCOM Group's custodian services. We have obtained and reviewed the calculation prepared by the Management and noted that it is consistent with the Management's representation. Considering that (i) the custodian fee rate assumed by the Management is within the range of the quotations from independent third party custodian services providers as discussed above; and (ii) the size of funds to be set up is based on the Group's business plan and communications with the BOCOM Group, we are of the view that the proposed annual caps in relation to custodian fees are fair and reasonable.

For the insurance services, the Management advised that the proposed annual caps have taken into account that (i) the historical insurance expenses of the Group; (ii) potential growth in insurance premium; (iii) the assumption



that all future demand for insurance will be satisfied by the BOCOM Group; and (iv) the recruitment plan of BOCOM Financial Technology, which is ramping up its capacity by recruiting over 1,000 staff in the coming three years. We have obtained and reviewed the calculation prepared by the Management and noted that it is consistent with the Management's representation. Considering that (i) the proposed annual caps are mainly based on historical insurance expenses of the Group mainly paid to independent third party insurance service providers; and (ii) it is reasonable to set the Annual Cap to cater for all possible demand arising from favourable insurance terms provided by the BOCOM Group, we are of the view that the proposed annual caps in relation to insurance expenses are fair and reasonable.

Having considered the factors set out above and our work performed as set out under the paragraphs headed "Pricing policy of miscellaneous banking and financial services", "Historical transaction and historical annual caps for miscellaneous banking and financial services" and "The proposed annual caps for miscellaneous banking and financial services" above, we are of the view that (i) the relevant terms of the miscellaneous banking and financial services under the Financial Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Transactions in relation to the miscellaneous banking and financial services are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the relevant annual caps are fair and reasonable.

### **3.2 The Derivatives Transactions Framework Agreement**

#### ***Outline of the Derivatives Transactions***

The Group enters into Derivatives Transactions in order to facilitate the BOCOM Group's hedging of commodity risks indirectly at offshore commodity futures exchanges including the New York Mercantile Exchange.

The Derivatives Transactions Framework Agreement provides that the derivatives transactions between the Group and the BOCOM Group must be (i) in the ordinary and usual course of business of the Group and the BOCOM Group; (ii) on an arm's length basis; (iii) on normal commercial terms or better to the Group; (iv) on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable derivatives transactions; and (v) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

#### ***Pricing policy of the Derivatives Transactions***

The Group enters into Derivatives Transactions with the BOCOM Group at specified prices and terms at the over-the-counter market pursuant to the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement



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dated 16 June 2016 entered into by the BOCOM Group and the Company. Simultaneously, the Group enters into Derivatives Transactions at an offshore commodity futures exchange on substantially similar prices with an insignificant spread and on otherwise identical commercial terms but in the opposite direction.

Under the above overall Derivatives Transaction arrangements and the above back-to-back pricing policies with an insignificant spread, the Group assumes no overall risks of investment losses due to the offsetting between the trading gains and the trading losses from the derivatives transactions in opposite directions, and expects to derive net trading gains due to the spread between the trading price with the BOCOM Group and the trading price at the offshore commodity futures exchanges in the derivatives transactions. The back-to-back pricing policies involve the Group reviewing the proposed terms of the derivatives transactions to be entered into with BOCOM and setting an insignificant spread for the derivatives transactions in opposite directions to be entered into by the Group at offshore commodity futures exchanges. Pursuant to such arrangements and pricing policies, the Group expects to assume no overall risks of investment losses. We have reviewed the terms of the Derivatives Transactions Framework Agreement and the documents provided by the Group in relation to the basis and assumptions used to determine the respective annual caps and are of the view that (i) the derivatives transaction between the Group and the BOCOM Group are on normal commercial terms; and (ii) the respective basis and assumptions are fair and reasonable, the details of which are set out in the paragraph headed “The proposed annual caps for derivatives transactions” below.

Taking into account (i) the principal activities of the Group, (ii) the abovementioned pricing policy of the type of derivatives transactions; (iii) the back-to back nature of the derivatives transactions; and (iv) the amount of spread earned by the Group is insignificant, the Management believes and we concur that the derivatives transactions between the Group and the BOCOM Group are (i) in the ordinary and usual course of business of the Group and the BOCOM Group; (ii) on an arm’s length basis; (iii) on normal commercial terms; and (iv) on terms no less favourable than those offered by the BOCOM Group to independent third parties for similar or comparable transactions. Accordingly, we are of the view that the terms of the Derivatives Transactions Framework Agreement are fair and reasonable.

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***Historical transaction amount and annual caps for the Derivatives Transactions***

The historical transaction amounts and annual caps in respect of the derivatives transactions contemplated under the Derivatives Transactions Framework Agreement for the respective year ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	Year ended 31 December			Three months ended 31 March
	2019	2020	2021	2022
	<i>(HK\$ million)</i>			
<b>Trading Gains/(Losses) to the Group:</b>				
Historical transaction amount	(15.5)	192.0	44.0	7.4
Historical annual caps	92.9	400.0	400.0	400.0
Utilisation rate	16.7%	48.0%	11.0%	1.9%
<b>Fair Value Recorded as Financial Assets:</b>				
Historical transaction amount	2.3	71.0	3.2	0
Historical annual caps	90.6	400.0	400.0	400.0
Utilisation rate	2.5%	17.8%	0.8%	0%
<b>Fair Value Recorded as Financial Liabilities:</b>				
Historical transaction amount	0	25.3	30.5	4.6
Historical annual caps	90.6	400.0	400.0	400.0
Utilisation rate	0%	6.3%	7.6%	1.2%

According to the circular of the Company dated 4 June 2020, the historical annual caps in relation to the trading gains/losses to the Group were determined based on, among others, (i) the magnitude of change of trading gains or losses (including both realised actual trading gains or losses and unrealised floating trading gains or losses) arising from the Derivatives Transactions, in particular the change from trading losses for the year ended 31 December 2019 to significant trading gains for the three months ended 31 March 2020; and (ii) assuming that the high volatility of the commodity market during the period from 1 January 2020 to 31 March 2020 would remain the same for the three years ending 31 December 2025. As advised by the Management, the relatively low utilisation rates for the three years ended 31 December 2021 were mainly due to the decrease in (i) BOCOM Group's demand for hedging of commodity risks; and (ii) the magnitude of trading gains or losses.

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The historical utilisation rate in respect of the fair value recorded as financial asset was approximately 2.5%, 17.8% and 0.8% respectively for the three years ended 31 December 2021, while the historical utilisation rate with regards to the fair value regarded as financial liability was approximately nil, 6.3% and 7.6% respectively for the three years ended 31 December 2021. The historical annual caps in relation to the fair value regarded as financial asset/liability was determined based on the expected maximum daily notional amount of the derivatives transactions between the Group and the BOCOM Group for the three years ended 31 December 2021, while the fair values of derivatives transactions at the end of a trading day were either net-off to zero or at an immaterial amount. Accordingly, fair value recorded as financial assets/liabilities was insignificant as compared to the historical annual cap.

***The proposed annual caps for Derivatives Transactions***

The proposed annual caps in relation to Derivatives Transactions under the Derivatives Transactions Framework Agreement for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	<b>Proposed annual caps</b>		
	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(HK\$ million)</i>		
<b>Trading Gains/(Losses) to the Group</b>	110.1	103.2	96.3
<b>Fair Value Recorded as Financial Assets</b>	74.9	70.2	65.5
<b>Fair Value Recorded as Financial Liabilities</b>	74.9	70.2	65.5

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The proposed annual caps in respect of the Derivatives Transactions contemplated under the Derivatives Transactions Framework Agreement were determined by reference to the following:

- (i) the historical trading gains/losses, fair value recorded as financial assets and fair value recorded as financial liabilities in respect of the derivatives transactions entered into with the BOCOM Group during the three years ended 31 December 2021;
- (ii) the expected transaction amounts in respect of the derivatives transactions under the Derivatives Transactions Framework Agreement to be entered into between the Group and the BOCOM Group for each of the three years ending 31 December 2025;
- (iii) the high volatility of the commodity market, which is presumed to remain the same for the three years ending 31 December 2025 as the volatility rate of the commodity-based products relating to the Derivatives Transactions ranged from approximately 18% to 147% during the three years ended 31 December 2021;
- (iv) the expected demand for risk management of commodity price fluctuation by the BOCOM Group through the Group on offshore commodity futures exchanges for each of the three years ending 31 December 2025;
- (v) the amount of credit facility granted by the Group to the BOCOM Group and the risk appetite of the Group towards commodity futures trading;
- (vi) the expected spread between the closing price and the fixed price in the derivatives transactions; and
- (vii) the expected fair value to be recorded as financial assets and the expected fair value to be recorded as financial liabilities in respect of the derivatives transactions under the Derivatives Transactions Framework Agreement, which represent the expected maximum exposure of the Company in relation to (i) the unsettled positions carried forward from the previous financial year; and (ii) the unsettled closed positions and the floating trading gains or losses of the unclosed positions during the then current financial year, both of which are estimated based on the fair value recorded as financial assets and fair value recorded as financial liabilities for the three months ended 31 March 2022 and the historical settlement pattern of BOCOM Group.

As advised by the Management, to arrive at the proposed annual caps for fair value as financial assets or financial liabilities and trading gains/(losses) to the Group, the Management has taken into account (i) the expected number of derivatives contracts to be entered into based on the indications from the

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BOCOM Group; (ii) the expected level of commodity price based on recent tensions involving a major crude oil producing country; and (iii) the historical quarterly volatility. We have obtained and reviewed the correspondence between the Group and the BOCOM Group regarding the expected demand for hedging and the historical quarterly volatility data provided by the Group and noted that they are consistent with Management's representation. To ascertain the fairness and reasonableness of the proposed annual caps, we have carried out the following work:

- (i) obtaining and reviewing the expected demand for hedging and the historical quarterly volatility data provided by the Group;

We noted that they are consistent with the Management's representation;

- (ii) reviewing the historical crude oil price for the past 12 months. We noted that the Management assumed the historical high price during such period for the determination of the proposed annual caps; and

Given the recent tensions involving a major crude oil producing country, we are of the view that such assumption is fair and reasonable.

- (iii) reviewing the historical quarterly maximum number of outstanding derivatives contracts under the Derivatives Transactions since 2019.

We noted that the Management expects smaller number of derivatives contracts for the three years ending 31 December 2025 as compared to the maximum number of outstanding derivatives contracts of the second half of 2021, which is consistent with the Management's expectation on the expected demand for hedging.

As advised by the Management, the proposed annual caps for fair value recorded as financial assets or financial liabilities reflects the notional amount of derivatives contracts based on the expected demand for hedging pursuant to indication from the BOCOM Group.

Based on (i) the historical utilisation rates for the three years ended 31 December 2021; (ii) that the proposed annual caps are adjusted downward to reflect the current market volatility; and (iii) the way to derive the proposed annual caps are straightforward and reasonable, we are of the view that the respective proposed annual caps for the Derivatives Transactions contemplated under the Derivatives Transactions Framework Agreement are fair and reasonable.

### ***Section conclusion***

Having considered the factors and our work performed as set out under the paragraphs headed "Pricing policy of the Derivatives Transactions", "Historical transaction amount and annual caps for the Derivatives Transactions" and "The

proposed annual caps for Derivatives Transactions” above, we are of the view that (i) the terms of the Derivatives Transactions Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the Derivatives Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the proposed annual caps for the Derivatives Transactions contemplated under the Derivatives Transactions Framework Agreement are fair and reasonable.

### **3.3 The Financial Technology Services Framework Agreement**

#### ***Outline of the transactions contemplated under the Financial Technology Services Framework Agreement (the “Fintech Transactions”)***

Pursuant to the Financial Technology Services Framework Agreement, the Group has agreed to provide (i) computer software development, information system operation and maintenance services and information system integration services; and (ii) information system consultancy services to the BOCOM Group.

At any time during the term of the Financial Technology Services Framework Agreement, the relevant member of the Group and the relevant member of the BOCOM Group may from time to time enter into definitive agreements in relation to any transaction(s) under the Financial Technology Services Framework Agreement upon, and subject to, the terms and conditions being in compliance with those of the Financial Technology Services Framework Agreement.

The transactions under the Financial Technology Services Framework Agreement will be conducted (i) in the ordinary and usual course of business of both the Group and BOCOM Group; (ii) on an arm’s length basis; (iii) on normal commercial or better terms to the Group; (iv) on terms no less favourable than those offered by the Group to independent third parties for similar transactions; (v) in accordance with the specified pricing policies; and (vi) in compliance with, among other things, the Listing Rules and applicable laws and regulations.

#### ***Pricing policy of the Fintech Transactions***

The service fees to be charged by the Group to the BOCOM Group shall be determined on commercial principles based on the prevailing market prices in the finance industry. For the market prices (“**Referencing Market Prices**”) as at the 31 December 2021 for reference, please refer to the paragraph headed “3. The Financial Technology Services Framework Agreement” under the section headed “Letter from the Board” of this Circular.

As advised by the Management, the pricing policies for (i) computer software development, information system operation and maintenance services and information system integration services; and (ii) information system consultancy services are determined with reference to the prevailing market price of such services specific to the finance industry.

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We have obtained and reviewed all agreements from the list of financial technology services agreements between BOCOM Financial Technology and its clients (including both the BOCOM Group and independent third parties) regarding (i) computer software development, information system operation and maintenance services and information system integration services; and (ii) information system consultancy services in 2021. The agreements generally include type of services, charge-out rates, required number of manpower per month and total services fee. We noted that the Referencing Market Prices are within the range of the charge-out rates as stipulated in such agreements and are reasonable approximation of the relevant market price as at the 31 December 2021. Given that we have reviewed all available agreements in 2021, which is the only completed full financial year following the Shareholders' approval of the Financial Technology Services Framework Agreement, we are of the view that the agreements reviewed are sufficient to indicate the pricing policy generally adopted in similar financial technology services agreements. Taking into account the above, we consider that the proposed pricing policy provides a fair and reasonable approximation of the market price of such services for future reference.

The Management advised that the ratio for the different level of staff involved in a project is determined on a case-by-case basis depending on the complexity of the relevant project. The management of BOCOM Financial Technology has confirmed that the proposed "2:4:1" is the expected ratio of a general project based on their experience and is a fair and reasonable estimate based on communication with the BOCOM Group. Taking into account that the "2:4:1" personnel requirement ratio is (i) only an expected ratio for future reference; and (ii) determined based on the Management's expectation and communication with the BOCOM Group, we consider that such ratio is a fair and reasonable estimate of the personnel requirement of such services.

The Management advised that the ratio for the different level of staff involved in a project is determined on a case-by-case basis depending on the complexity of the relevant project. We have conducted an interview with management of BOCOM Financial Technology who confirmed that the proposed "2:4:1" is the expected ratio of a general project based on their experience and is a fair and reasonable estimate based on communication with the BOCOM Group. Taking into account that the "2:4:1" personnel requirement ratio is (i) only an expected ratio for future reference; and (ii) determined based on the Management's expectation and communication with the BOCOM Group, we consider that such ratio is a fair and reasonable estimate of the personnel requirement of such services.



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***Historical transaction amount and annual caps for Fintech Transactions***

The historical transaction amounts and annual caps in respect of the Fintech Transactions for the respective year ended 31 December 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	Year ended 31 December		Three months ended
	2020	2021	31 March 2022
	<i>(RMB million)</i>		
<b>Computer software development, information system operation and maintenance services and information system integration services:</b>			
Historical transaction amount	0 <i>(Note)</i>	4.2	4.4
Historical annual caps	90.0	540.0	720.0
Utilisation rate	0%	0.8%	1.4%
<b>Information system consultancy services:</b>			
Historical transaction amount	0 <i>(Note)</i>	5.6	5.5
Historical annual caps	10.0	60.0	80.0
Utilisation rate	0%	9.3%	6.9%

*Note:* The Financial Technology Services Framework Agreement was approved by the Shareholders on 24 December 2020.

According to the Management, as compared to the historical annual caps, the relatively low historical transaction amount and thus the utilisation rate for the two years ended 31 December 2021 was mainly due to that the unexpected delay in ramping up of the servicing capacity of BOCOM Financial Technology. Going forward, the Group will continue to seek cooperation opportunities with BOCOM and its various subsidiaries as well as independent third party clients.

***The proposed annual caps for Fintech Transactions***

The proposed annual caps in relation to Fintech Transactions for the respective year ending 31 December 2023, 2024 and 2025 are set out below:

	<b>Proposed annual caps</b>		
	<b>Year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>		
<b>Computer software development, information system operation and maintenance services and information system integration services</b>	777.0	1,250.0	1,750.0
<b>Information system consultancy services</b>	626.0	1,000.0	1,400.0



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The proposed annual caps in respect of the transactions contemplated under the Financial Technology Services Framework Agreement were determined by reference to the following:

- (i) the prevailing market prices for the provision of similar financial technology services and the expected growth in labour costs of 6% per annum;

As advised by the Management, the actual average service fee per person per month of Fintech Transactions in 2021 was approximately RMB96,000 for computer software development, information system operation and maintenance services and information system integration services and RMB116,000 for information system consultancy services. In estimating the expected growth in labour costs of 6% per annum, the Management has considered (i) the 8.1% average nominal growth of disposable income per capita and the 6.0% average growth of GDP in the PRC from 2017 to 2021; (ii) the 9.1% nominal growth of disposable income per capita and the 8.1% growth of GDP in the PRC in 2021; and (iii) the GDP growth target of approximately 5.5% and a basically synchronised growth of residents' income in the PRC in 2022. We have checked the data published by the National Bureau of Statistics and the Report on the Work of the Government issued by the State Council and noted that they are consistent with the Management's representation. As such, we are of the view that the expected growth in labour costs is fair and reasonable.

- (ii) the expected demand for financial technology services and the expected expenditure for financial technology of the BOCOM Group; and

We are provided with the development plan of financial technology of BOCOM and noted that the expected annual investment in financial technology of the BOCOM Group for each of the three years ending 31 December 2025 based on (i) the expected compound annual growth rate of BOCOM Group's operating income from 2021 to 2025; and (ii) the expected growth of BOCOM Group's annual investment in financial technology. As such, we believe there can be ample budget for BOCOM to engage the Group for financial technology services.

- (iii) the Group's increased recruitment effort to expand the financial technology services team.

As advised by the Management, based on the communication with the BOCOM Group, the required number of personnel to satisfy the BOCOM Group's demand for financial technology services will increase to 1,000, 1,500 and 2,000 for each of the three years ending 31 December 2025.

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Considering that (i) the proposed annual caps are mainly based on prevailing market prices and demand for financial technology services; and (ii) since the Fintech Transactions only commenced in 2021 where the future transaction volume may ramp up given the large expected expenditure on financial technology of the BOCOM Group, it is in the interests of the Company and Shareholders as a whole to enter into an agreement setting annual caps with relatively large annual growth rates which take into account potential increase in transaction volume rather than to request for another shareholders' approval when future transaction volume exceeds the annual cap, we are of the view that the proposed annual caps in relation to the Fintech Transactions are fair and reasonable.

### *Section summary*

Having considered the factors and our work performed as set out under the paragraphs headed "Pricing policy of the Fintech Transactions", "Historical transaction amount and annual caps for Fintech Transactions" and "The proposed annual caps for Fintech Transactions" above, we are of the view that (i) the terms of the Financial Technology Services Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; (ii) the transactions contemplated under the Financial Technology Services Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the annual caps in relation to the Fintech Transactions are fair and reasonable.

#### **4. INTERNAL CONTROL**

The Company has adopted the following internal control measures and policies in respect of the Non-exempt Transactions to provide an effective framework for strong corporate governance and risk management:

- (a) before confirming the pricing and the terms of proposed connected transactions, the Group will review and consider the pricing offered to or quoted by, as the case may be, two or more independent third parties in respect of transactions of a similar nature and scale in order to determine whether the proposed pricing and terms of the connected transactions are fair, reasonable and no less favourable than those quoted by independent third parties to the Group or no more favourable than those offered by the Group to independent third parties, as the case may be. If no pricing quoted by or offered to independent third parties can be obtained for the purpose of the above comparison, the relevant connected transaction will have to be separately considered and approved by the head of the relevant business unit in order to ensure that the pricing will be fair and reasonable to the Group;

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- (b) the Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the Company Secretary and the legal compliance department of the Company (directly or through the head of the relevant business unit) in order for the Company to commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules;
- (c) the Company will provide information and supporting documents to the Independent Non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by the Company. In accordance with Rule 14A.55 of the Listing Rules, the independent Non-Executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, and are not in accordance with the pricing policies of the Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the annual cap;
- (d) in relation to deposits under the Financial Services Framework Agreement, the Company regularly reviews the terms (including the interest rates) offered by the BOCOM Group for the deposit of funds to ensure that such terms are no less favourable to the Group than those offered to it by independent financial institutions.

Given that the internal control measures are in line with the principles as set out in the Group's internal control manuals which have been executed and operated smoothly by the Management in the past and in view of the procedures and arrangements set out above, we consider that there exist the appropriate procedures and arrangements to ensure the Non-exempt Transactions contemplated under the Financial Services Framework Agreement, the Derivatives Transactions Framework Agreement and the Financial Technology Services Framework Agreement will be conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and on normal commercial terms or better and in the ordinary and usual course of business of the Group.

**5. RECOMMENDATIONS**

Having considered the above principal factors, we are of the view that (i) the terms of Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor) are fair and reasonable in so far as the Company and the Independent Shareholders are concerned; and (ii) the the Non-exempt Agreements and the respective Non-Exempt Transactions are on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company 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 resolutions to be proposed at the EGM to approve the Non-exempt Agreements and the respective Non-exempt Transactions (including the proposed annual caps therefor).

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Executive Director*

**Leo Tam**  
*Executive Director*

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over seven years of experience in corporate finance and advisory in Hong Kong, 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 transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm 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 matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of the Directors and chief executive of the Company in the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executive of the Company had any interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; and (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange:

#### *Long position in Shares of the Company*

<b>Name of Director/chief executive</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of total number of issued Shares (%)</b>
TAN Yueheng	Beneficial owner	2,000,000	0.07
XI Xuanhua	Beneficial owner	1,000,000	0.04

*Long position in shares of associated corporation — BOCOM*

Name of Director/ chief executive	Capacity	Class of shares held	Number of shares held	Approximate	Approximate
				percentage to the total number of relevant class of issued shares of the associated corporation (%)	percentage of the total number of issued shares in the associated corporation (%)
TAN Yueheng	Beneficial owner	H shares	172,000	0.00	0.00
		A shares	140,000	0.00	0.00
LIN Zhihong	Beneficial owner	A shares	40,000	0.00	0.00
PO Ying	Beneficial owner	A shares	75,000	0.00	0.00
SU Fen	Beneficial owner	H shares	48,000	0.00	0.00

**(b) Substantial Shareholders' interests in Shares and underlying Shares**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as is known to the Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Total Number of Shares held	Approximate percentage of the total number of issued Shares (%)
BOCOM	Interest in a controlled corporation, beneficiary of trust ( <i>Note 1</i> )	2,000,000,000 (L)	73.14
BOCOM Nominee	Interest in a controlled corporation, trustee (other than bare trustee) ( <i>Note 2</i> )	2,000,000,000 (L)	73.14

*Notes:*

(L): denotes long position

- (1) Expectation Investment is an indirect subsidiary of BOCOM and is the beneficial owner of 500,000 Shares. BOCOM is deemed to be interested in an aggregate of 2,000,000,000 Shares which BOCOM Nominee is interested in as trustee (other than a bare trustee) and which Expectation Investment is interested in as beneficial owner.

- (2) BOCOM Nominee is a subsidiary of BOCOM and (a) holds 1,999,500,000 Shares on trust for BOCOM and (b) controls 50% of voting rights of Expectation Investment which is the beneficial owner of 500,000 Shares.

**(c) Directors' employment with substantial shareholders**

Ms. LIN Zhihong is the bureau chief of the audit and supervision bureau of BOCOM, the supervisor of Bank of Communications Financial Assets Investment Co., Ltd. and an employee supervisor of the board of supervisors of BOCOM.

Ms. PO Ying is the general manager of the equity and investment management department and an employee supervisor of BOCOM, a non-executive director of Bank of Communications Financial Leasing Co., Ltd., a non-executive director of BANCO BoCom BBM S.A., and the chairman of board of supervisors of Bank of Communications International Trust Co, Ltd.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

**4. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date up to which the latest published audited consolidated financial statements of the Group were made.

**5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors was materially interested, in any contract or arrangement subsisting as at the date of this circular and which was significant in relation to the business of the Group.

**6. DIRECTORS' COMPETING INTERESTS**

To the best knowledge of the Directors, as at the Latest Practicable Date, save as disclosed in the section headed "Letter from the Board" in this circular, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interest in any business (apart from the Group's business) which competes or is likely to



compete, either directly or indirectly, with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder).

## 7. NO MATERIAL ADVERSE CHANGES

The Directors confirm that, as far as they are aware as at the Latest Practicable Date, there have been no material adverse changes in the financial or trading position of the Group since 31 December 2021, being the date up to which the latest published audited consolidated financial statements of the Group were made, up to and including the Latest Practicable Date.

## 8. CONSENT AND QUALIFICATION OF EXPERT

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

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

The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter of advice in the form and context in which it is included and the references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interests, directly or indirectly, in any assets which had been, since 31 December 2021, being the date up to which the latest published audited consolidated financial statements of the Company were made, and up to the Latest Practicable Date, acquired, disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group.

## 9. MISCELLANEOUS

- (a) The registered office of the Company is at 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong.
- (b) The company secretary of the Company is Ms. YI Li.



- (c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

#### **10. DOCUMENTS ON DISPLAY**

The following documents are available on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.bocomgroup.com> for a period of 14 days from the date of this circular:

- (a) the Financial Services Framework Agreement;
- (b) the Derivatives Transactions Framework Agreement; and
- (c) the Financial Technology Services Framework Agreement.



**BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED**

**交銀國際控股有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 3329)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of BOCOM International Holdings Company Limited (the “Company”) will be held on Wednesday, 29 June 2022 at 11:30 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day and the same location, whichever is later, at Conference Room 1, 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong and online through the online platform [https://meetings.computershare.com/BOCOMI\\_2022EGM](https://meetings.computershare.com/BOCOMI_2022EGM), for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions. Words and expressions that are not expressly defined in this notice of EGM shall bear the same meanings as defined in the circular of the Company dated 2 June 2022 (the “Circular”).

**ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the automatic renewal of the term of the Financial Services Framework Agreement (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) for the three years ending 31 December 2025 and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed in all respects;
- (b) the proposed annual caps in relation to the transactions contemplated under the Financial Services Framework Agreement for each of the three years ending 31 December 2025 as set out in the Circular be and are hereby approved; and
- (c) any one Director (or any person duly authorised by him/her) be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which he/she may consider necessary, appropriate, desirable or expedient to implement and/or give effect to the Financial Services Framework Agreement or the transactions contemplated thereunder as aforesaid.”

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## NOTICE OF EGM

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2. **“THAT:**

- (a) the automatic renewal of the term of the Derivatives Transactions Framework Agreement (a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) for the three years ending 31 December 2025 and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed in all respects;
- (b) the proposed annual caps in relation to the transactions contemplated under the Derivatives Transactions Framework Agreement for each of the three years ending 31 December 2025 as set out in the Circular be and are hereby approved; and
- (c) any one Director (or any person duly authorised by him/her) be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which he/she may consider necessary, appropriate, desirable or expedient to implement and/or give effect to the Derivatives Transactions Framework Agreement or the transactions contemplated thereunder as aforesaid.”

3. **“THAT:**

- (a) the automatic renewal of the term of the Financial Technology Services Framework Agreement (a copy of which is tabled at the meeting and marked “C” and initialled by the chairman of the meeting for identification purpose) for the three years ending 31 December 2025 and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed in all respects;
- (b) the proposed annual caps in relation to the transactions contemplated under the Financial Technology Services Framework Agreement for each of the three years ending 31 December 2025 as set out in the Circular be and are hereby approved; and

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## NOTICE OF EGM

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- (c) any one Director (or any person duly authorised by him/her) be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which he/she may consider necessary, appropriate, desirable or expedient to implement and/or give effect to the Financial Technology Services Framework Agreement or the transactions contemplated thereunder as aforesaid.”

Yours faithfully,  
For and on behalf of the Board  
**BOCOM International Holdings Company Limited**  
**YI Li**  
*Company Secretary*

Hong Kong, 2 June 2022

*Notes:*

1. In light of the continuing risks posed by COVID-19 and the current regulatory requirements and guidelines under the laws of Hong Kong, the EGM will be a hybrid meeting. The Company encourages Shareholders to exercise their rights to attend and vote at the EGM by electronic facilities. Other than those who are required to attend the EGM physically to form a quorate meeting, Shareholders will not be able to gain access to the meeting venue of the EGM in person.

By logging in the dedicated online platform [https://meetings.computershare.com/BOCOMI\\_2022EGM](https://meetings.computershare.com/BOCOMI_2022EGM) (the “**Platform**”), Shareholders will be able to view a live webcast of the EGM, submit questions, and cast vote in real-time. Non-registered Shareholders who wish to attend and vote at the EGM online should (1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominee Limited through which their shares are held (together, the “**Intermediary**”) to appoint themselves as proxy or corporate representative to attend the EGM online, and (2) provide their email addresses to their Intermediary before the time limit required by the relevant Intermediary.

2. In order to determine the eligibility to attend and vote at the above meeting, the register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022. To qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 23 June 2022.
3. Any member of the Company entitled to attend and vote at the EGM (or any adjournment of that meeting) is entitled to appoint one or more proxies as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.
4. In the case of joint registered holders of any shares in the Company, any one of such persons may vote at the above meeting, either through the online platform or by proxy, in respect of such shares as if he/she were solely entitled to voting; but if more than one of such joint holders are present at the above meeting through the online platform or by proxy, that one so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect of such shares.

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## NOTICE OF EGM

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5. A form of proxy by the Shareholders at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bocomgroup.com](http://www.bocomgroup.com)). Shareholders are encouraged to appoint the Chairman of the EGM as their proxy by completing the enclosed form of proxy in accordance with the instructions printed on the form and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM or any adjournment of the EGM (as the case may be). If the proxy appointed is not the Chairman of the Meeting, you are requested to provide a valid email address of your proxy for him or her to receive the login details to participate online via the online platform. If no email address is provided, your proxy cannot participate and cast votes via the online platform. Completion and return of the form of proxy will not preclude you from subsequently attending and voting online at the EGM or any adjournment of the EGM (as the case may be) by means of electronic facilities should you so wish and, in such event, the form of proxy shall be deemed to be revoked.
6. Pursuant to Rule 13.39(4) of the Listing Rules, voting for the resolution set out in this notice will be taken by poll at the above meeting.
7. Subject to the continuing development of COVID-19, the Company may be required to change the EGM arrangements on short notice. Shareholders are advised to check the Company's website and the Stock Exchange's website for further announcements and updates on the meeting arrangements that may be issued.
8. Shareholders are suggested to telephone the Company's hotline at (852) 3710 3328 for arrangements of the meeting in the event that a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong on the day of the meeting or that there are "extreme conditions" caused by super typhoons on the day of the meeting.

*As at the date of this notice, the board of Directors of the Company comprises Mr. TAN Yueheng and Mr. CHENG Chuange as executive Directors; Ms. LIN Zhihong and Ms. PO Ying as non-executive Directors; Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun as independent non-executive Directors.*

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## SPECIAL ARRANGEMENTS FOR THE EGM

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### SPECIAL ARRANGEMENTS FOR THE EGM

In light of the continuing risks posed by COVID-19 and the current regulatory requirements and guidelines under the laws of Hong Kong, the EGM will be a hybrid meeting. **The Company encourages Shareholders to exercise their rights to attend and vote at the EGM by electronic facilities.** Shareholders will not be permitted to gain access to the meeting venue of the EGM in person, other than those who are required to attend the EGM physically to form a quorate meeting and the limited number of other attendees to ensure the proper conduct of the meeting. Any other person who attempts to do so will not be permitted entry to the venue of the EGM.

Accordingly, all registered Shareholders and non-registered Shareholders are encouraged to **(i) appoint the Chairman of the EGM as their proxy; or (ii) attend, raise questions and vote at the EGM electronically through online platform.** By logging in the dedicated online platform [https://meetings.computershare.com/BOCOMI\\_2022EGM](https://meetings.computershare.com/BOCOMI_2022EGM) (the “**Platform**”), Shareholders will be able to view a live webcast of the EGM, submit questions, and cast vote in real-time. **There will be no distribution of gifts at the EGM.**

#### **Platform Login Session**

The Platform will be opened for registered Shareholders and non-registered Shareholders to login 30 minutes prior to the commencement of the EGM. The Platform can be accessed from any location with internet connection by a smart phone, tablet device, or computer. Shareholders should allow ample time to login to the Platform to complete the related procedures and remain logged in until the commencement of and during the EGM.

#### **Login details for registered Shareholders**

Login details for joining the EGM online are included in the Company’s notification letter to registered Shareholders sent together with this circular.

#### **Login details for non-registered Shareholders**

Non-registered Shareholders who wish to attend and vote at the EGM online should (1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominee Limited through which their shares are held (together, the “**Intermediary**”) to appoint themselves as proxy or corporate representative to attend the EGM online, and (2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary. Login details to access the Platform will be sent by Computershare to the email address of the non-registered Shareholders provided by the Intermediary. Any non-registered Shareholder who has provided an email address through the relevant Intermediary for this purpose but has not received the login details by email by 3: 00 p.m. on 28 June, 2022 should reach out to the Company’s share registrar, Computershare Hong Kong Investor Services Limited, for assistance. Without the login details, non-registered Shareholders would not be able to attend and vote using the Platform. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

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## SPECIAL ARRANGEMENTS FOR THE EGM

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Registered and non-registered Shareholders should note that only one device is allowed per login. Please also keep the login details in safe custody for use at the EGM and do not disclose them to anyone else. Neither the Company nor its agents assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise.

### **VOTING BY PROXY OF SHAREHOLDERS**

Shareholders are encouraged to submit their completed proxy forms well in advance of the EGM. Completion and return of the form of proxy will not preclude you from subsequently attending and voting online at the EGM or any adjournment of the EGM (as the case may be) by means of electronic facilities should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

#### **Appointment of proxy by registered Shareholders**

A form of proxy by the Shareholders at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bocomgroup.com](http://www.bocomgroup.com)). Shareholders are encouraged to appoint the Chairman of the EGM as their proxy by completing the enclosed form of proxy in accordance with the instructions printed on the form and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM or any adjournment of the EGM (as the case may be). If the proxy appointed is not the Chairman of the Meeting, you are requested to provide a valid email address of your proxy for him or her to receive the login details to participate online via the online platform. If no email address is provided, your proxy cannot participate and cast votes via the online platform.

#### **Appointment of proxy by non-registered Shareholders**

Non-registered Shareholders should contact their Intermediary as soon as possible for assistance in the appointment of proxy.

**Subject to the continuing development of COVID-19, the Company may be required to adopt further changes to the EGM arrangements on short notice. Shareholders are advised to check the websites of the Company ([www.bocomgroup.com](http://www.bocomgroup.com)) and The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) for any further announcement(s) and information relating to the EGM.**

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## SPECIAL ARRANGEMENTS FOR THE EGM

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If Shareholders have any enquiries pertaining to the arrangements for the EGM, or the registration process, please contact the Company's share registrar, Computershare Hong Kong Investor Services Limited as follows:

**Computershare Hong Kong Investor Services Limited**

17M Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Telephone: +852 2862 8555

Facsimile: +852 2865 0990

Website: [www.computershare.com/hk/contact](http://www.computershare.com/hk/contact)