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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in the Company, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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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A letter from the Board is set out on pages 5 to 23 of this circular.

A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 53 of this circular.

A notice convening the EGM to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, immediately after the conclusion of the annual general meeting of the Company to be held at the same location on Friday, 14 June 2019 at 3:00 p.m. (or any adjournment thereof) is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy 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 in accordance with the instructions printed on the form 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). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment of the EGM (as the case may be) should you so wish.

17 May 2019

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## DEFINITIONS

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

“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 Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement for the three years ending 31 December 2022 pursuant to the terms of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement
“Board”	the board of directors of the Company
“BOCOM”	Bank of Communications Co., Ltd, a company incorporated in the PRC with limited liability, the A shares of which are listed and traded on the Shanghai Stock Exchange (Stock Code: 601328) and the H shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 3328), and being the ultimate controlling shareholder 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
“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(s)”	has the same meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Derivatives Transactions Framework Agreement”	the derivatives transactions framework agreement dated 25 April 2017 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 (or any adjournment thereof) to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong immediately after the conclusion of the annual general meeting of the Company to be held at the same location on Friday, 14 June 2019 at 3:00 p.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, approving the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions (including the proposed annual caps therefor)
“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 entered into between the Company and BOCOM in relation to the provision of financial services between the Group and 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 People’s Republic of China
“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 Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions (including the proposed annual caps therefor)

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## DEFINITIONS

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“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation 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 by the Board to advise the Independent Board Committee and the Independent Shareholders on the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement in relation to the respective Non-exempt Transactions and the Non-exempt Transactions (including the proposed annual caps therefor)
“Independent Shareholders”	the Shareholders other than BOCOM and its associates
“Latest Practicable Date”	9 May 2019, 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
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Non-exempt Transactions”	the revenue transactions contemplated under the Financial Services Framework Agreement and the transactions contemplated under the Derivatives Transactions Framework Agreement for the three years ending 31 December 2022
“PRC”	the People’s Republic of China
“Property Leasing Framework Agreement”	the property leasing framework agreement dated 25 April 2017 entered into between the Company and BOCOM in relation to the leasing of properties by the Group from the BOCOM Group
“Prospectus”	the prospectus of the Company dated 5 May 2017 relating to the global offering of the Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company

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## DEFINITIONS

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“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meanings as those defined under the Listing Rules

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. TAN Yueheng (*Chairman*)  
Mr. LI Ying (*President*)  
Mr. CHENG Chuange (*Deputy Chief Executive Officer*)

*Registered Office:*

9/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

*Non-executive Directors:*

Mr. WANG Yijun  
Ms. LIN Zhihong  
Mr. SHOU Fugang

*Independent non-executive Directors:*

Mr. TSE Yung Hoi  
Mr. MA Ning  
Mr. LIN Zhijun

17 May 2019

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 26 March 2019 in relation to, among other things, the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions contemplated thereunder.

The purposes of this circular are to provide you with, among other things, (i) further information on the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, the respective Non-exempt Transactions thereunder 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.

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## LETTER FROM THE BOARD

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Reference is also made to the Prospectus disclosing, among others, the terms of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement entered into between the Company and BOCOM on 25 April 2017.

Pursuant to the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, such agreements came into effect on the Listing Date and shall continue up to and including 31 December 2019, and shall be renewed automatically for successive periods of three years thereafter, subject to the 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 2019. The Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement shall take effect upon the approval of the respective 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.

The principal terms of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement are set out below.

### CONTINUING CONNECTED TRANSACTIONS

#### (A) Principal Terms

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

**Date:** 25 April 2017

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

**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 not less than 90% in



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## LETTER FROM THE BOARD

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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.

(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

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## LETTER FROM THE BOARD

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customers include securities brokerage and margin financing 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.

**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);

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## LETTER FROM THE BOARD

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- (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.

**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 AUM 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 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.

(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 engagement agreements that are entered into by the Group and the BOCOM Group, of which the rate for underwriting and securities issuance normally ranges from approximately 0.5% to 2.0%.

The 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.

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## LETTER FROM THE BOARD

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The securities underwriting market is highly competitive and the underwriting commission rates, sponsor fees and securities issuance fees have become 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 the BOCOM Group are 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.

(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 are determined by arm's length negotiations 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

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## LETTER FROM THE BOARD

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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 are 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 Directors will ensure that the pricing and terms will be 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. Please refer to the sub-section headed "Measures to safeguard Shareholders' interests" for further details.

### **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 commodity derivatives transactions in order to facilitate the BOCOM Group's hedging of commodity risks indirectly at offshore commodity future exchanges including the New York Mercantile Exchange. The Group enters into commodity derivatives transactions with the BOCOM Group at specified prices and terms at the over-the-counter market pursuant to the ISDA Master Agreement dated 16 June 2016 entered into by the Company and BOCOM.

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## LETTER FROM THE BOARD

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Simultaneously, the Group enters into commodity 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 term 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.

The transactions under the Derivatives Transactions 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; and
- (e) 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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### (B) Historical Transaction Amounts

The historical annual caps and transaction amounts in respect of the Non-exempt Transactions under the Financial Services Framework Agreement and under the Derivatives Transaction Framework Agreement for each of the two years ended 31 December 2017 and 2018 are as follows:

	Historical Annual Caps		Historical Transaction Amounts	
	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018
	<i>(HK\$ million)</i>		<i>(HK\$ million)</i>	
	(Approximate)		(Approximate)	
<b>1. Financial Services Framework Agreement</b>				
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>				
Securities brokerage settlement and subscription of new shares	20.0	20.0	12.2	10.6
Investment advisory and management services	68.2	72.7	34.2	27.9
Underwriting, sponsoring, securities issuance and advisory services	26.2	32.8	6.0	4.8
Interest on the deposits	5.3	5.3	0.9	4.0
	<u>119.7</u>	<u>130.7</u>	<u>53.3</u>	<u>47.3</u>
<b>Total</b>	<b><u>119.7</u></b>	<b><u>130.7</u></b>	<b><u>53.3</u></b>	<b><u>47.3</u></b>
<b>2. Derivatives Transactions Framework Agreement</b>				
Trading gains to the Group	58.1	81.3	12.5	7.4
Fair value recorded as financial assets	55.7	75.5	18.9	3.1
Fair value recorded as financial liabilities	55.7	75.5	1.3	2.0



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## LETTER FROM THE BOARD

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### (C) Proposed Annual Caps

The proposed annual caps in respect of the Non-exempt Transactions under the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement for each of the three years ending 31 December 2022 are as follows:

	Year ending 31 December		
	2020	2021	2022
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
<b>1. Financial Services Framework Agreement</b>			
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>			
Securities brokerage settlement and subscription of new shares	19.6	23.5	28.2
Investment advisory and management services	77.9	82.8	88.8
Underwriting, sponsoring, securities issuance and advisory services	70.2	70.2	70.2
Interest on deposits	15.3	15.3	15.3
	183.0	191.8	202.5
	<b>183.0</b>	<b>191.8</b>	<b>202.5</b>
<b>2. Derivatives Transactions Framework Agreement</b>			
Trading gains to the Group <sup>(1)</sup>	81.3	81.3	81.3
Maximum fair value recorded as financial assets	75.5	75.5	75.5
Maximum fair value recorded as financial liabilities	75.5	75.5	75.5

*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).

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## LETTER FROM THE BOARD

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

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

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

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

- (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 Participantship of the relevant member of the Group for subscription of new shares by its customers;
- (ii) the annual potential growth of 20% in demand for securities trading and brokerage settlement and subscription of new shares by the customers of the BOCOM Group over the three years ending 31 December 2022 and the Group's growth plan regarding these services; in particular, the existing daily market turnover from securities trading and brokerage settlement, the expected annual growth rate of 20% in such daily market turnover in the years ending 31 December 2021 and 2022 and the completion of transfer of retail banking business and private banking business of BOCOM (Hong Kong Branch) to BOCOM (Hong Kong) in 2018;
- (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
- (iv) the market sensitivity of the brokerage transactions and the passive role of the Group.

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

- (i) the historical investment advisory and management service fees paid by the BOCOM Group to the Group during the two financial years ended 31 December 2018;
- (ii) the existing funds controlled by the BOCOM Group or which have the BOCOM Group as the general partner;
- (iii) the expected significant growth of the BOCOM Group's demand for investment advisory and management services from the Group in Macau over the three years ending 31 December 2022; and
- (iv) the expected annual growth of 20% in AUM controlled by the BOCOM Group or in which the BOCOM Group is the general partner for the three years ending 31 December 2022.

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## LETTER FROM THE BOARD

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### *Underwriting, sponsoring, securities issuance and advisory services*

- (i) the historical underwriting, sponsoring, securities issuance and advisory fees paid by the BOCOM Group to the Group;
- (ii) the expected annual commitment in underwriting, sponsoring, securities issuance and advisory services from the Group over the three years ending 31 December 2022;
- (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.

### *Interest on deposits*

- (i) the expected amount in client money which the Group would receive from its business operations will remain stable for the three years ending 31 December 2022;
- (ii) the interest on the deposits of the Group placed with BOCOM during the two financial years ended 31 December 2018 ranged from 0.11% to 3.15%;
- (iii) the expected interest rates to be paid to the Group for each of the three years ending 31 December 2022 are approximately 1.5% for Hong Kong dollar deposits and approximately 3.5% for Renminbi deposits respectively; and
- (iv) the expected upward trends of movements in the market interest rates.

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

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

- (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 since January 2017;

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## LETTER FROM THE BOARD

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- (ii) the expected annual growth of 100% in the BOCOM Group's demand for hedging of commodity risks indirectly at offshore commodity futures exchanges and the volume of derivatives transactions to be entered into by the BOCOM Group through the Group over the three years ending 31 December 2022, subject to the prevailing market conditions and sentiments globally and in the PRC;
- (iii) the expected increase in the utilization of credit facility granted by the Group to the BOCOM Group and the increase of risk appetite of the Group towards commodity futures trading; and
- (iv) the expected spread between the closing price and the fixed price in the derivatives transactions.

**(E) 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 2022. Please refer to the announcement of the Company dated 25 April 2019 for details.

**(F) 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 transactions contemplated under the Financial Services Framework Agreement, the Derivatives Transaction Framework Agreement and the Property Leasing Framework Agreement (the "**Continuing Connected Transactions**"):

- (a) before confirming the pricing and the terms of the Continuing 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 Continuing 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 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 Continuing Connected Transactions is expected to exceed certain thresholds, the relevant staff must report the Continuing Connected Transactions to the Company Secretary and the Legal and Compliance Department of the Company (directly or through the head of the relevant business

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## LETTER FROM THE BOARD

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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; and

- (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 the requirements under 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 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 Continuing Connected 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 Continuing Connected Transactions in all material respects or have exceeded the cap.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE AUTOMATIC RENEWAL OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT AND THE DERIVATIVES TRANSACTIONS FRAMEWORK AGREEMENT

#### 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 commodity 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 commodity 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 set-off 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.

### 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 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.

### INFORMATION ON THE BOCOM GROUP

BOCOM is a commercial and retail bank providing banking services mainly in the PRC, with its A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange. The principal activities of BOCOM and the BOCOM Group include corporate and personal banking services, treasury business, asset management, fund, trustees, finance lease, insurance, debt-to-equity conversion and other financial services.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

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

The Directors are of the view that the revenue 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 should be aggregated 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 Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, on an annual basis, is 5% or more respectively, the Automatic Renewal of the Financial Services Framework Agreement, the Derivatives Transactions Framework Agreement and the respective 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 Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective 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.

### BOARD APPROVAL

Due to the executive roles of Mr. WANG Yijun, Ms. LIN Zhihong and Mr. SHOU Fugang in the BOCOM Group, such non-executive Directors have a material interest in the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions (including the proposed annual caps therefor) and have abstained from voting on the relevant Board resolutions. Save as disclosed above, none of the Directors has a material interest in the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions (including the proposed annual caps therefor) and none of them has abstained from voting on the relevant Board resolutions.

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## LETTER FROM THE BOARD

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### **EGM**

The Company will hold the EGM at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong immediately after the conclusion of the annual general meeting of the Company to be held at the same location on Friday, 14 June 2019 at 3:00 p.m. (or any adjournment thereof), at which resolutions will be proposed for the purpose of considering and if thought fit, approving the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement 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-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed on the form and deposit the same at the office of 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 and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time scheduled for the holding of the EGM or any adjournment of EGM (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of the EGM (as the case may be).

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 11 June 2019 to Friday, 14 June 2019 (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 Monday, 10 June 2019.

### **VOTING BY POLL**

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the voting on all resolutions at the EGM will be conducted by way of poll.

BOCOM and its associates are considered to have a material interest in the Financial Services Framework Agreement, the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions (including the proposed annual caps therefor), and therefore 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 Financial Services Framework Agreement, the Derivatives Transactions Framework Agreement 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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### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 24 to 25 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, the respective Non-exempt Transactions and their respective proposed annual caps; (ii) the letter from the Independent Financial Adviser, set out on pages 26 to 53 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement in relation to the respective Non-exempt Transactions, the Non-exempt Transactions and their respective proposed annual caps; and (iii) additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions and their respective proposed annual caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned 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 are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions (including the proposed annual caps therefor).

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that the respective Non-exempt Transactions will be in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of the respective Non-exempt Transactions and the proposed annual caps for the respective Non-exempt Transactions are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. The Board therefore recommends you to vote in favour of all the resolutions in respect of the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-Exempt Transactions (including the proposed annual caps therefor) to be proposed at the EGM.

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)**

17 May 2019

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 17 May 2019 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein 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 on whether, in our opinion, the terms of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions (including the proposed annual caps therefor) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 26 to 53 of the Circular; and (ii) the letter from the Board as set out on pages 5 to 23 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 Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement 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 in the interests of the Company and the Shareholders as a whole; and (ii) the respective Non-exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend that the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement and the respective Non-exempt Transactions (including the proposed annual caps therefor for the three years ending 31 December 2022).

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 Non-exempt Transactions contemplated under the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, which have been prepared for the purpose of incorporation in this circular.*

# ALTUS.

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

17 May 2019

*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 NON-EXEMPT 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 and the Derivatives Transactions 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 17 May 2019 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 25 April 2017, the Company and BOCOM entered into the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement respectively, the purpose of which is to govern all the existing and future provision of financial services as well as derivatives transactions between the Group and the BOCOM Group with effect from the Listing Date. Both agreements will expire on 31 December 2019 and shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than six months’ prior written notice or otherwise in accordance with the respective agreements.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company intends to continue to enter into transactions of similar nature after 31 December 2019. The Automatic Renewal of each of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement shall take effect upon the approval of the transactions contemplated thereunder and the proposed annual caps therefor having been obtained from the relevant authoritative bodies (include the Board and/or the Independent Shareholders as necessary) in accordance with the applicable Listing Rules.

Subject to the approval of the respective Non-exempt Transactions and the proposed annual caps therefor by the Independent Shareholders at the EGM, each of the Financial Services Framework Agreement and the Derivatives Transactions 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 provisions of the Listing Rules, unless terminated earlier by not less than six months' prior written notice or otherwise in accordance with the respective agreements.

### LISTING RULES IMPLICATIONS

BOCOM is the ultimate controlling shareholder of the Company, holding approximately 73.14% of the issued Shares, and thus a connected person of the Company. The Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement are expected to be of recurrent nature and to occur on a regular and continuing basis in the ordinary and usual course of business of the Company. Therefore, the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement entered into between the Company and BOCOM and the respective Non-exempt Transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios with reference to the proposed annual caps of the Non-exempt Transactions (the “**Annual Caps**”), on an annual basis, exceed 5.0%, the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, the respective Non-exempt Transactions and the Annual Caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to the executive roles of Mr. WANG Yijun, Ms. LIN Zhihong and Mr. SHOU Fugang in the BOCOM Group, such non-executive Directors have a material interest in the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, the respective Non-exempt Transactions and the Annual Caps. As such, the abovementioned non-executive Directors have been abstained from voting on the relevant Board resolutions. Save for the above, no other Directors were in any way materially interested in the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, the respective Non-exempt Transactions or the Annual Caps and therefore none of them have abstained from voting on the relevant Board resolutions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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 Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) whether the respective Non-exempt Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Annual Caps have been fairly and reasonably arrived at; and (iv) how to vote in respect of the ordinary resolutions to be proposed at the EGM approving the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, the respective Non-exempt Transactions and the Annual Caps (the “**Resolutions**”), taking into account the recommendations of the Independent Financial Adviser.

### 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 the respective Non-exempt Transactions under the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (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; (iii) whether the respective Annual Caps have been fairly and reasonably arrived at; and (iv) our recommendation as to how the Independent Shareholders should vote in respect of the Resolutions.

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 respective Non-exempt Transactions is at market level and not conditional upon successful passing of the Resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement; (ii) the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”); (iii) the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”); (iv) the prospectus of the Company dated 5 May 2017 (the “**Prospectus**”); (v) an announcement of the Company dated 18 December 2017 in relation to the revision of the annual cap for financial services provided by the BOCOM Group to the Group under the Financial Services Framework Agreement; and (vi) other information set out in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. 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 and the Management have been reasonably made after due and careful enquiry. 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 retail, corporate and high-net-worth clients; (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, comprising public and private funds and specialised asset management and investment advisory; 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *1.1.2 Financial performance of the Group*

*For the year ended 31 December 2018*

According to the 2018 Annual Report, the Group's revenue and other income for the year ended 31 December 2018 was approximately HK\$1,484.3 million, representing an increase of approximately 21.6% when compared with approximately HK\$1,220.5 million in 2017.

The Group's profit for the year ended 31 December 2018 was approximately HK\$411.0 million, representing an increase of approximately 1.9% over approximately HK\$403.5 million in 2017. Such increase was mainly attributable to the increase in the two core businesses of the Group, namely securities brokerage and margin financing and investment and loans. For the year ended 31 December 2018, the commission and fee income from the securities brokerage business was approximately HK\$165.6 million, representing a decrease of approximately 13.0% as compared with 2017. The interest income from margin loans for the year ended 31 December 2018 was approximately HK\$417.5 million, representing an increase by approximately 25.1% as compared with 2017, which led to a net income increase derived from securities brokerage and margin financing. In terms of the business of investment and loans, the interest income from loans and advances was approximately HK\$79.6 million for the year ended 31 December 2018, representing a substantial increase of approximately 121.3% as compared to approximately HK\$36.0 million in 2017. Proprietary trading income was approximately HK\$587.5 million for the year ended 31 December 2018, representing a significant increase of approximately 62.7% from HK\$361.1 million in 2017.

Meanwhile, revenue generated from the other two core businesses of the Group for the year ended 31 December 2018, being corporate finance and underwriting services and asset management and advisory services, decreased as compared with 2017. The commission and fee income from corporate finance and underwriting services was approximately HK\$59.9 million for the year ended 31 December 2018 as compared with approximately HK\$154.1 million in 2017; such difference was due to the cyclical nature of the Group's corporate finance business. The income derived from asset management and advisory dropped from approximately HK\$99.8 million in 2017 to approximately HK\$82.1 million for the year ended 31 December 2018 due to the expiry of fee charging period and redemption of certain funds.

### *1.1.3 Prospects of the Group*

As disclosed in the 2018 Annual Report, in view of the market volatility and the liquidity risk caused by unexpected capital flows, the Group has adopted a wide array of measures on "knowing our client" and assessing value of the underlying collaterals to mitigate its margin finance risk management. In terms of investment and loans business, in order to



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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reduce the negative impact on price of bonds and preference shares, the Group shifted its resources allocation from fixed-income investment to structured finance with high-quality underlying assets in order to mitigate the market risks and strengthen the control of collaterals through tailor-made structures.

During 2018, while the global economy continued to recover, the growth momentum has changed to a slower pace due to the shifts in monetary policy and the uprise of trade frictions among major economic power worldwide. According to 2018 Annual Report, the main risks overshadowing the global economy stem from the uncertainties: (i) the EU is confronted with economic and financial challenges; (ii) Brexit will have long-term impact on the UK economy; (iii) Japan is caught in the middle of global trade friction; and (iv) emerging markets continue to diverge, with some experiencing financial risks. Apart from the repercussion of trade frictions between China and the United States, the China economy is entering the final stage of its three-year economic cycle and is expected that China's economic growth would hold steady in general amid slight moderation in 2019.

To cope with the aforementioned uncertainties in global economic environment and the increasing market risks, the Management will continue to adopt prudent risk management measures and review business strategies regularly. The Management will also continue to keep a forward-looking vision and make investment with good return in accordance with strict risk ratings and future growth. In May 2018, the Group successfully completed a syndicated term loan of HK\$5.0 billion equivalent. Such arrangement has improved the Group's funding structure and ensured sufficient liquidity for business expansion. In addition, by actively participating in the "Belt and Road" initiatives, the Group will continue to develop its securities brokerage, margin financing, corporate finance and underwriting, asset management, advisory and relevant businesses, so as to enhance the Group's value and create better returns for the Shareholders.

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

BOCOM is a commercial and retail bank providing banking services mainly in the PRC, with its A shares listed on the Shanghai Stock Exchange and H Shares listed on the Stock Exchange. The principal activities of BOCOM and the BOCOM Group include corporate and personal banking services, treasury business, asset management, fund, trustees, financial lease, insurance, debt-to-equity conversion and other financial services.

Its total assets increased by approximately 5.5% over 31 December 2017 to approximately RMB9,531.2 billion as at 31 December 2018. Its net profit increased by approximately 4.9% to approximately RMB74.2 billion for the year ended 31 December 2018 as compared to that recorded for the year ended 31 December 2017.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

BOCOM is 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. Being the international flagship of the BOCOM Group, the Group is committed to creating a large and vibrant international integrated financial services institution with PRC background in the region. 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.

## 2. REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT AND THE DERIVATIVES TRANSACTIONS 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. On the other hand, 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. We also 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.

The Directors are of the view that (i) securing a long-term business relationship with the BOCOM Group, given BOCOM's reputation and experience in the PRC financial industry, would be beneficial to the Group; and (ii) the increased cooperation is expected to contribute to the Group's revenue and profitability in the long run. As the Group serves as an international flagship of the BOCOM Group, the Group stands to continue benefiting from synergies with the BOCOM Group, namely (i) cost synergies for financial services 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 securities industry; and (ii) the synergies arising from the increasing customer demand for cross-border services. In this regard, we noted growth in the relevant segment revenue of the Group for the year ended 31 December 2018, during the term of the existing agreements, was attributable in part to stronger synergies with the BOCOM Group.

Given that (i) the objective for the Company to enter into the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement is to govern all the existing and future provision of financial services as well as derivatives transactions between the Group and the BOCOM Group; (ii) such framework agreements outline the principles, the mechanism and terms and conditions (including the pricing policies) for each types of financial services transactions and derivatives 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;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(iv) BOCOM intends to continue to expand its international business in part through the Group; and (v) 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 the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement are to be in the interests of the Company and its Shareholders as a whole.

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

We noted that the terms of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement remained unchanged. For more details of the principal terms of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, please refer to the paragraph headed “Continuing Connected Transactions – (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 not 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.

Pricing policy of securities brokerage settlement and subscription of new shares

According to the Management, the fees and commissions payable by the BOCOM Group to the Group for securities brokerage settlement and subscriptions of new shares will be determined by arm's length negotiation after taking into account factors, amongst others, 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 and 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.

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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 reviewed contracts entered into by the Group and independent third parties and a summary prepared by the Company of the securities brokerage commission rates offered to the BOCOM Group and independent third party clients of the Group during the two years ended 31 December 2018. 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. As advised by the Management, such lower rate offered to the BOCOM Group was mainly due to the Group offered normal securities brokerage services to independent third party clients, while the service offered to the BOCOM Group was limited to the securities brokerage settlement services as the BOCOM Group is not a clearing participant of CCASS. Notwithstanding such limited scope of service offered to the BOCOM Group not in line with the normal market practice as it is uncommon that brokerage firms would only offer brokerage settlement services, we concur with the Management that the lower rate under such scope of work is on normal commercial terms after 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 over 45.0% of the Group's total transaction value. As such, we concur with the Management that the commission rates charged by the Group in respect of providing securities brokerage services to the BOCOM Group are justifiable and reasonable.

### Historical transaction amounts and historical annual caps

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 years ended 31 December 2017 and 2018 are set out below:

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Year ended 31 December

**2017**                      **2018**

*(HK\$ million)*

**Revenue received by the Group from the  
BOCOM Group in respect of:  
Securities brokerage settlement and  
subscription of new shares**

Historical transaction amounts	12.2	10.6
Historical annual caps	20.0	20.0
Utilisation rate (%)	61.0%	53.0%

As advised by the Management, the decrease in the historical amounts and thus the utilisation rates for the year ended 31 December 2018 was mainly attributable to (i) the transfer of retail banking business and private banking business of BOCOM (Hong Kong Branch) to BOCOM (Hong Kong), which had affected the internal resources that the BOCOM Group allocated to these business operations and thus in turn had resulted in the decrease in the transaction value between the BOCOM Group and the Group; and (ii) the changes to the Group's operational structure since 2017, where it shifted the focus of its clientele for brokerage services from retail clients managed by account executives to wealth management clients managed by relationship managers which resulted in a short term adverse impact on its capacity to provide brokerage services to the BOCOM Group.

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 three years ending 31 December 2022 are set out below:

**Proposed Annual Caps**

Year ending 31 December

**2020**                      **2021**                      **2022**

*(HK\$ million)*

**Revenue received by the Group from  
the BOCOM Group in respect of:  
Securities brokerage settlement and  
subscription of new shares**

	19.6	23.5	28.2
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 transaction amount in relation to the securities brokerage settlement and subscription of new shares for the five years ended 31 December 2018;
- (ii) the annual potential growth of 20% in the demand for securities trading and brokerage settlement and subscription of new shares by the customers referred by the BOCOM Group over the three years ending 31 December 2022 and the Group's growth plan regarding such services; in particular the existing daily market turnover from securities trading and brokerage settlement and the expected growth rate of such turnover at 20.0% per annum over the three years ending 31 December 2022, which is in-line with the growth rate of the historical daily value of securities traded at a compound annual growth rate of approximately 26.7% from 2016 to 2018 for securities listed on the Stock Exchange;
- (iii) the Group's current market share in terms of the securities transactions on the Stock Exchange;
- (iv) the fact that the BOCOM Group would refer not less than 90.0% 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
- (v) the market sensitivity of the brokerage transactions and the passive role of the Group.

As advised by the Management, the estimated growth in the daily market turnover of securities trading and brokerage settlement from customers referred by the BOCOM Group is expected to be in-line with the substantial increase in the turnover of the Hong Kong stock market in general, whereby the daily average value of traded securities for the year ended 31 December 2018 has reached approximately HK\$107.4 billion, representing a compound annual growth rate of approximately 26.7% from the year ended 31 December 2016 according to the annual market statistics published by the Stock Exchange.

Notwithstanding that the historical annual caps had not been fully utilised, which was attributable to the restructuring undertaken by the BOCOM Group and the Group respectively as mentioned above, the Management is of the view that following the completion of such restructuring exercises in 2018, the Group's clients base for securities brokerage services will stabilise going forward.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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After taking into account (i) the current positive outlook of the Hong Kong stock market as mentioned above; (ii) the stabilisation of the Group's client base following the completion of restructuring exercises as mentioned above; (iii) the market sensitivity nature of the brokerage transactions; (iv) the passive role of the Group in the securities brokerage settlement and subscription of new shares for customers referred by the BOCOM Group; and (v) the historical transaction amount of approximately HK\$30.5 million and HK\$21.5 million for the two years ended 31 December 2015 respectively, we are of the view that 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, we are of the view that (i) the relevant terms of 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 Bank of Communications Co., Ltd. Macau Branch ("**BOCOM (Macau Branch)**"), with the remaining controlled by BOCOM or 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 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 AUM of the relevant funds in respect of which the Group provides investment advisory and management services to, 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

We have reviewed a summary of management fee rates charged by the Group to independent third parties for provision of comparable investment advisory and management services, and noted that the Group will provide investment advisory and management services to the BOCOM Group on terms that are comparable or no less favourable to the Group than those applicable to the independent third parties.

### Historical transaction amounts and historical annual caps

The historical transaction amounts and historical annual caps in respect of the investment advisory and management services contemplated under the Financial Services Framework Agreement for the years ended 2017 and 2018 are set out below:

	Year ended 31 December	
	2017	2018
	<i>(HK\$ million)</i>	
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>		
<b>Investment advisory and management services</b>		
Historical transaction amounts	34.2	27.9
Historical annual caps	68.2	72.7
Utilisation rate (%)	50.1%	38.4%

According to the Management, the decrease in the historical transaction amount and thus the utilisation rate for the year ended 31 December 2018 was mainly due to the changes in the BOCOM Group's investment decision requiring investment advisory and management services from the Group after considering the then macroeconomic situation.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 three years ending 31 December 2022 are set out below:

	Proposed Annual Caps		
	Year ending 31 December		
	2020	2021	2022
	<i>(HK\$ million)</i>		
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>			
Investment advisory and management services	77.9	82.8	88.8

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 two financial years ended 31 December 2018;
- (ii) the existing funds controlled by the BOCOM Group or which have the BOCOM Group as the general partner;
- (iii) the estimated growth rate of AUM controlled by the BOCOM Group (excluding BOCOM (Macau Branch) or which have the BOCOM Group as the general partner that requires investment advisory and management services from the Group at 20.0% per annum for the three years ending 31 December 2022. The Management expects that such AUM will increase from approximately USD304 million to USD638 million for the year ending 31 December 2020 and with annual growth of 20.0% over the two years ending 31 December 2022; and
- (iv) the expected growth of AUM controlled by the BOCOM (Macau Branch) which requires investment advisory and management services from the Group from MOP3.0 billion for 2018 to MOP8.0 billion over the three years ending 31 December 2022.

According to the Prospectus, the Group intends to expand its business of investment advisory and management services by investing in funds with high potential and in particular, according to the Management, the Group has invested

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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in a high potential fund in the PRC since end of 2018 with the aim to further strengthen its business network in the PRC. In addition to Hong Kong entities, the Group has extended its services to Mainland China via the establishment of 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 2010 and 2016 respectively. Moreover, the Group intends to further expand BOCOM International (Shanghai)’s business of investment advisory and management services in the PRC. As advised by the Management, the establishment and expansion of such entities enable the Group to improve its capability of providing cross-boundary investment advisory and management services to its customers, including the BOCOM Group.

Furthermore, according to the BOCOM Group’s results announcement for the third quarter 2018, the net balance of investment securities recorded by the BOCOM Group as at 30 September 2018 was approximately RMB2,721.1 billion, while as advised by the Management, only approximately USD304 million 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 the BOCOM Group’s demand for investment management services to be provided by the Group to increase. Taking into 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 to; and (iii) following the establishment of the aforementioned two entities in Shanghai and Shenzhen which will enlarge the Group’s service capacity, the Management believes, and we concur, that assuming the respective AUM increasing from USD304 million to HKD5.0 billion (equivalent to approximately USD638 million) from the year ending 31 December 2020 and growing at 20.0% per annum over the three years ending 31 December 2022 is fair and reasonable.

According to the Management, the funds controlled by BOCOM (Macau Branch) that the Group provides management services for are from a reputable Macau fund. The AUM of the funds controlled by the BOCOM (Macau Branch) that the Group provides management services for increased from MOP500.0 million in 2015 to MOP3.0 billion in 2018. Given the stable sources of funding, the substantial increase in AUM from 2015 to 2018 and the past performance of funds under the Group’s management, we concur with the Management that it is fair and reasonable to expect that the AUM controlled by BOCOM (Macau Branch) that the Group provides management services for will grow to MOP8.0 billion over the three years ending 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Notwithstanding that the relevant historical annual caps had not been fully utilised, the Management takes the view and we concur that there will 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.

Having considered the factors set out above, we are of the view that (i) the relevant terms of 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, securities issuance 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 engagement agreements that are entered into by the Group and the BOCOM Group. The 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 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 third parties for similar services. Taking into consideration that (i) the

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underwriting commission rate payable by the BOCOM Group to the Group in respect of the fund raising activities is within the range of those charged by issues with comparable offer size; and (ii) the commission rate offered by the Group to the BOCOM Group is within the range of those applicable to the independent third parties, 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.

### Historical transaction amounts and historical annual caps

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 years ended 31 December 2017 and 2018 are set out below:

	Year ended 31 December	
	2017	2018
	<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	6.0	4.8
Historical annual caps	26.2	32.8
Utilisation rate (%)	22.9%	14.6%

As advised by the Management, the decrease in the revenue received by the Group from the BOCOM Group in respect of underwriting, sponsoring, securities issuance and advisory services for the year ended 31 December 2018 was mainly attributable to (i) the internal restructuring the BOCOM Group has undertaken starting in late 2016, including spin-off of the Group from the BOCOM Group and transfer of the retail banking business and private banking business of BOCOM (Hong Kong Branch) to BOCOM (Hong Kong) in early 2018, (ii) the poor market sentiment in debt capital market as a result of faster-than-expected interest hike in the US.

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 three years ending 31 December 2022 are set out below:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Proposed Annual Caps**  
**Year ending 31 December**  
**2020                      2021                      2022**  
*(HK\$ million)*

**Revenue received by the Group from  
the BOCOM Group in respect of:**

Underwriting, sponsoring, securities issuance and advisory services	70.2	70.2	70.2
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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 (for further details, please refer to the paragraph headed “(D) Basis of Determination of Proposed Annual Caps” as set out in the “Letter from the Board” contained in the Circular):

- (i) the historical underwriting, sponsoring, securities issuance and advisory fees paid by the BOCOM Group to the Group and the expected growth of demand for such services from the Group over the three years ending 31 December 2022;
- (ii) the estimated underwriting fees to be received by the Group from the BOCOM Group by providing underwriting services for potential fund raising activities of the BOCOM Group with an underwriting commitment of approximately USD300 million;
- (iii) the estimation that the Group will be involved in the debt issuance of the BOCOM Group with the deal commitment of approximately USD300.0 million;
- (iv) participation in a 2019 bond issuance of approximately USD3.0 billion and that the BOCOM Group indicated to the Group that the Group will be a key participant in similar deals in the future; and
- (v) the expected commission rates paid to the Group during the three years ending 31 December 2022.

According to the Management, the Group is expected to be engaged as the key player of the aforementioned potential fund raising activities of the BOCOM Group and the Management believes and we concur that it is reasonable to expect the Group to secure an underwriting role to serve the BOCOM Group in these fund raising activities. Should these fund raising activities materialise, the respective offer size will be USD300.0 million with an expected commission rate at 2.0%. Taking into account the underwriting commission of such fund raising

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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activities for companies listed on the Main Board of the Stock Exchange over the past 12 months, we noted those issues with comparable offer size will charge commission rates generally ranging from 1.0% to 3.0%. Based on the above, the Management takes the view that assuming commission rate at 2.0% is fair and reasonable.

In addition, we noted that the debt issuance activities of the BOCOM Group which the Group was involved in amounted to USD2.8 billion in the year ended 31 December 2018. We also noted from the Management that the Group has recently participated in the debt issuance of the BOCOM Group in January 2019 with the maturity of three or five years. As advised by the Management, given (i) the Group's consecutive involvement in the debt issuance of the BOCOM Group in the past five years; and (ii) the cost synergies effect arising from cooperation between the Group and the BOCOM Group as mentioned in the paragraph headed "Reasons for and benefits of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement" above, it is reasonable to expect that the Group will continue to participate in the debt issuance activity of the BOCOM Group for the three years ending 31 December 2022. According to the Management, the Group is expected to participate in the debt issuance activity of the BOCOM Group with deal commitment of USD300.0 million for the three years ending 31 December 2022 with the commission rate of 0.5%. We have reviewed agreements entered into between the Group and the BOCOM Group in respect of the debt issuance services and three agreements with independent third parties, also for providing debt issuance services, and the principal terms thereof, in particular the fees payable by the BOCOM Group and the independent third parties, and noted that the commission rate offered to the BOCOM Group is within the range of those applicable to the independent third parties.

Taking into account the above and that the fund raising activities of the BOCOM Group may launch 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 2022.

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 number of new listings in the Hong Kong increased by 25.3% for the year ended 31 December 2018 as compared to the preceding year; and (iii) the growing demand for debt issuance services given that the total amount of debt issuance by Hong Kong financial institutions increased from approximately USD50.3 billion in 2017 to USD98.6

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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billion in 2018, representing an increase of approximately 96.2% for 2018 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 are fair and reasonable.

Having considered the factors set out above, we are of the view that (i) the relevant terms of 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 the BOCOM Group 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 the BOCOM Group. The Group receives interest on such deposits from the BOCOM Group.

##### Pricing policy of deposit services

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

We have reviewed the interest rates offered to the Group by other independent third parties, and noted that the interest rate for fixed deposits in Hong Kong dollars for one month ranges from 1.38% to 1.875% per annum. As advised by the Management, the interest rate offered by the BOCOM Group to the Group for fixed deposits in Hong Kong dollars for one month is assumed at 1.5% per annum for the three years ending 31 December 2022, which is within the range of those offered by independent third parties and is in line with the historical interest rate offered by the BOCOM Group to the Group during the year ended 31 December 2018. As such, we concur with the Management that the interest rates for fixed deposits in Hong Kong dollars offered by the BOCOM Group are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The interest rate for fixed deposits in RMB offered by the BOCOM Group to the Group for the three years ending 31 December 2022 is assumed at 3.5% per annum. We noted from the Management that the historical interest rates offered by the BOCOM Group to the Group in the year ended 31 December 2018 for deposits in RMB was up to 3.15% per annum in terms of investment product, which were generally applicable to all of the BOCOM Group's customers. Taking into consideration (i) the continued global economic recovery; and (ii) that the Federal Reserve of the United States raised the interest rate four times in 2018, the Management expected that the Shanghai Interbank Offered Rate to increase over the next few years. As such, the Management takes the view that a higher interest rate offered by the BOCOM Group for deposits in RMB over the three years ending 31 December 2022 is reasonable. In light of the above and given that the average of Shanghai Interbank Offered Rate (one month) for the year ended 31 December 2018 was approximately 3.5%, we concur with the Management that the interest rate for fixed deposits in terms of investment product in RMB offered by BOCOM Group is fair and reasonable.

### Historical transaction services and historical annual caps

The historical transaction services and annual caps in respect of the deposit services contemplated under the Financial Services Framework Agreement for the years ended 31 December 2017 and 2018 are set out below:

	Year ended 31 December	
	2017	2018
	<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	0.9	4.0
Historical annual caps	5.3	5.3
Utilisation rate (%)	17.0%	75.5%

As advised by the Management, the substantial increase in the utilisation rate for the year ended 31 December 2018 was as a result of changes in the composition of the Group's deposits placed in the BOCOM Group and the interest rate hikes. The deposits the Group placed in the BOCOM Group were mainly composed of those placed in saving accounts for the two years ended 31 December 2018 since the Group set aside funds for daily operation purpose according to the then treasury management policy of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Basis of the proposed Annual Caps for deposit services

The proposed Annual Caps in relation to deposit services under the Financial Services Framework Agreement for the three years ending 31 December 2022 are set out below:

	Proposed Annual Caps		
	Year ending 31 December		
	2020	2021	2022
	<i>(HK\$ million)</i>		
<b>Revenue received by the Group from the BOCOM Group in respect of:</b>			
Interest on deposits	15.3	15.3	15.3

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 expected amount in the client money which the Group would receive from its business operation will remain stable for the three years ending 31 December 2022;
- (ii) the Group's average month-end balance of cash deposited with the BOCOM Group for the two years ended 31 December 2018;
- (iii) the amount of deposits that the Group currently places in the BOCOM Group in the PRC;
- (iv) the historical interest rates on the deposits of the Group placed with the BOCOM Group;
- (v) the expected interest rates to be paid to the Group for each of the three years ending 31 December 2022; and
- (vi) the expected upward trends of movements in the market interest rates.

According to the Management, the Group would place deposits 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 purposes.

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As such, when determining the respective Annual Caps, reference was made to the average month-end balance of cash deposited in the BOCOM Group of approximately HKD1.5 billion for the two years ended 31 December 2018. According to the Group's treasury management policy, the Management expects that 50.0% of such deposits, being approximately HKD750.0 million will be placed in fixed deposit accounts in the BOCOM Group with the remaining amount to be sufficient for daily operation purpose. In addition, as advised by the Management, the Group currently places deposits in RMB amounting to approximately HKD200.0 million equivalent with the BOCOM Group in Shanghai. The Management expects that the Group will continue to place HKD200 million equivalent with the BOCOM Group in the PRC over the three years ending 31 December 2022, while all the remaining deposits placed in the BOCOM Group will be dominated in HKD for the three years ending 31 December 2022. Moreover, the Management expects that the market interest rates for deposits in RMB will increase in the future as mentioned in the paragraph headed "Pricing policy of deposit services" above. 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 are fair and reasonable.

Having considered the factors set out above, we are of the view that (i) the relevant terms of 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.

### 3.2 The Derivatives Transactions Framework Agreement

#### *Outline of the type of 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.

#### *Pricing policy of the type of 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 ISDA Master Agreement 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 commodity 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 assumes no overall risks of investment losses. We have reviewed the terms of the Derivatives Transactions Framework Agreement and the document 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 transactions 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 was and will continue to be conducted (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.

### ***Historical transaction amount and annual caps***

The historical transaction amounts and annual caps in respect of the derivatives transactions contemplated under the Derivatives Transactions Framework Agreement for the years ended 31 December 2017 and 2018 are set out below:

	<b>Year ended 31 December</b>	
	<b>2017</b>	<b>2018</b>
	<i>(HK\$ million)</i>	
<b>Trading Gains/(Losses) to the Group:</b>		
Historical transaction amount	12.5	7.4
Historical annual caps	58.1	81.3
Utilisation rate (%)	21.5%	9.1%
<b>Fair Value Recorded as Financial Assets:</b>		
Historical transaction amount	18.9	3.1
Historical annual caps	55.7	75.5
Utilisation rate (%)	33.9%	4.1%
<b>Fair Value Recorded As Financial Liabilities:</b>		
Historical transaction amount	1.3	2.0
Historical annual caps	55.7	75.5
Utilisation rate (%)	2.3%	2.6%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The historical annual caps in relation to the trading gains/losses to the Group were determined based on the historical amount the Group recorded in the derivatives transactions with the BOCOM Group for the year ended 31 December 2016 and the expected growth of the BOCOM Group's demand for hedging of commodity risks indirectly at offshore commodity futures exchanges for the two years ended 31 December 2018. The relatively low utilisation rates for the two years ended 31 December 2018 were mainly due to the unexpected decrease in the BOCOM Group's demand for hedging of commodity risks.

The historical utilisation rate in respect of the fair value recorded as financial asset was approximately 33.9% and 4.1% respectively for the two years ended 31 December 2018, while the historical utilisation rate with regards to the fair value regarded as financial liability was approximately 2.3% and 2.6% respectively for the two years ended 31 December 2018. 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 two years ended 31 December 2018, 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, the 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 three years ending 31 December 2022 are set out below:

	Proposed Annual Caps		
	Year ending 31 December		
	2020	2021	2022
	<i>(HK\$ million)</i>		
<b>Trading Gains/(Losses) to the Group</b>	81.3	81.3	81.3
<b>Fair Value Recorded as Financial Assets</b>	75.5	75.5	75.5
<b>Fair Value Recorded As Financial Liabilities</b>	75.5	75.5	75.5

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 since January 2017;
- (ii) the expected annual growth of 100% in the BOCOM Group's demand for hedging of commodity risks indirectly at offshore commodity futures exchanges and the volume of derivatives transactions to be entered into with the BOCOM

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Group through the Group over the three years ending 31 December 2022 depending on the prevailing market conditions and sentiments globally and in the PRC;

- (iii) the expected increase in the utilisation of credit facility granted by the Group to the BOCOM Group and the increase of risk appetite of the Group towards commodity futures trading; and
- (iv) the expected spread between the closing price and the fixed price in the derivatives transactions.

In respect of the Annual Caps for fair value recorded as financial assets or financial liabilities, the Management made reference to the expected maximum daily notional amount of the derivatives transactions between the Group and the BOCOM Group. Notwithstanding the relatively low historical utilisation rates for the two years ended 31 December 2018, after considering that (i) the BOCOM Group's intention to expand its institutional businesses of commodity derivatives transactions with the underlying assets extending to more products; (ii) the business of derivatives transactions with the BOCOM Group was a relatively new business of the Company which has been developing since 2016; and (iii) the Group expects to deploy more staff and resources for operating the derivatives transactions business, the Management is of the view to maintain the respective Annual Caps at the same level of those for the year ended 31 December 2018.

Taking into account the above, we are of the view that the respective Annual Caps for the derivatives transactions contemplated under the Derivatives Transactions Framework Agreement are fair and reasonable.

#### 4. INTERNAL CONTROL

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

- 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 continuing 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 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;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- the Group has adopted internal guidelines which provide that if the value of any proposed continuing connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed 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.
- 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 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 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 cap.

Given the above, we consider that there exist the appropriate procedures and arrangements to ensure the respective Non-exempt Transactions contemplated under the Financial Services Framework Agreement and the Derivatives Transactions 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**

In evaluating the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement, we note that (i) the respective Non-exempt Transactions will be conducted on normal commercial terms or better; (ii) the pricing of the respective Non-exempt Transactions will be agreed upon by arm's length negotiation; and (iii) the Group will as far as practicable make reference to the pricing of comparable transactions in the market to ensure that pricing of the respective Non-exempt Transactions will be comparable to the prevailing market rates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered the above principal factors, we are of the view that (i) the terms and conditions of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement in relation to the respective Non-exempt Transactions (including the proposed Annual Caps thereof) are fair and reasonable as far as the Company and the Independent Shareholders are concerned; (ii) the Annual Caps have been fairly and reasonably arrived at; and (iii) the respective Non-exempt Transactions contemplated under the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement are on normal or better commercial terms and given the principal business activities of the Group, are in the ordinary and usual course of business of the Group and are 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 approving the Automatic Renewal of the Financial Services Framework Agreement and the Derivatives Transactions Framework Agreement in relation to the Non-exempt Transactions and the respective Non-exempt Transactions (including the respective Annual Caps) at the EGM.

Yours faithfully

For and on behalf of

**Altus Capital Limited**

**Jeanny Leung**

*Executive Director*

**Leo Tam**

*Assistant 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 about 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 advisor or independent financial advisor 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 four 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 Company. 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 in this circular or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 taken or deemed to have taken under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### *Long position in the Shares, underlying Shares and debentures of the Company*

<b>Name of Director/ Chief executive</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest (%)</b>
TAN Yueheng	Beneficial owner	2,000,000	0.07
XI Xuanhua	Beneficial owner	1,000,000	0.04



*Long position in the shares, underlying shares and debentures of the associated corporations of the Company – BOCOM*

Name of Director	Capacity	Class of shares held in the associated corporation	Number of shares held in the associated corporation	Approximate percentage of shareholding in the associated corporation (%)	Approximate percentage to the total number of issued shares of the associated corporation (%)
TAN Yueheng	Beneficial owner	H shares	100,000	0.00	0.00
		A shares	120,000	0.00	0.00
LI Ying	Beneficial owner	H shares	173,000	0.00	0.00
CHENG Chuange	Beneficial owner	A shares	40,000	0.00	0.00
SHOU Fugang	Beneficial owner	H shares	20,000	0.00	0.00
		A shares	60,000	0.00	0.00

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

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

*Notes:*

- 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.
- 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.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, no person (other than the Directors or chief executives of the Company) had the interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register of the Company required to be kept under section 336 of the SFO.

**3. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date up to which the latest published audited consolidated financial statements of the Group were made.

**4. 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 determinable by the Group within one year without payment of compensation, other than statutory compensation.

**5. EXPERT**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

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
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The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and/or references to its name in the form and context in which they respectively appear.

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 interest, either directly or indirectly, in any assets which have been since 31 December 2018 (being the date up to which the latest published audited consolidated financial statements of the Group were made) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**6. COMPETING INTERESTS**

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 in the Listing Rules) had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

**7. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2018 (being the date up to which the latest published audited financial statements of the Group were made) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

- (b) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

**8. MISCELLANEOUS**

- (a) The registered office of the Company is situated at 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong.
- (b) The joint company secretaries of the Company are Ms. YI Li and Ms. KWONG Yin Ping, Yvonne. Ms. KWONG is a fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (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.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours at the registered office of the Company at 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong from the date of this circular up to and including the date of the EGM on Friday, 14 June 2019:

- (a) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (c) the letter of advice from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (d) the written consent referred to in the paragraph headed "Expert" in this appendix;
- (e) the Financial Services Framework Agreement;
- (f) the Derivatives Transactions Framework Agreement; and
- (g) this circular.

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## NOTICE OF EGM

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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)**

### 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 at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong immediately after the conclusion of the annual general meeting of the Company to be held at the same location on Friday, 14 June 2019 at 3:00 p.m. (or any adjournment thereof), for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the automatic renewal of the term of the Financial Services Framework Agreement (as defined in the circular of the Company dated 17 May 2019 (the “**Circular**”), 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 2022 and the revenue transactions contemplated thereunder be and are hereby approved, ratified and confirmed in all respects;
- (b) the proposed annual caps in relation to the revenue transactions contemplated under the Financial Services Framework Agreement for each of the three years ending 31 December 2022 as set out in the Circular be and are hereby approved; and
- (c) any one director of the Company (the “**Director**”) 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 in the opinion of the Director may be necessary, appropriate, desirable or expedient to implement and/or give effect to the Financial Services Framework Agreement or the revenue 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 (as defined in the Circular, 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 2022 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 2022 as set out in the Circular be and are hereby approved; and
- (c) any one Director 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 in the opinion of the Director may be necessary, appropriate, desirable or expedient to implement and/or give effect to the Derivatives Transactions Framework Agreement or the transactions contemplated thereunder as aforesaid.”

Yours faithfully,

For and on behalf of the Board of Directors

**BOCOM International Holdings Company Limited**

**YI Li**

*Joint Company Secretary*

Hong Kong, 17 May 2019

*Notes:*

- 1. 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 Tuesday, 11 June 2019 to Friday, 14 June 2019 (both days inclusive). 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 Monday, 10 June 2019.
- 2. Any member of the Company entitled to attend and vote at the above meeting (or any adjournment thereof) is entitled to appoint one or more proxies as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- 3. 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 personally or by proxy, in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting personally 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 thereof.

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## NOTICE OF EGM

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4. In order to be valid, the completed form of proxy must be deposited at the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the above meeting or adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM and any adjournment thereof if you so wish, and if such event, the form of proxy will be deemed to be revoked.
5. Shareholders are suggested to telephone the Company's hotline at (852) 3710 3328 for arrangements of the meeting in the event that a gale warning (tropical cyclone No. 8 or above) or black rainstorm warning is hoisted on the day of the meeting.

*As at the date of this circular, the Board of Directors of the Company comprises Mr. TAN Yueheng, Mr. LI Ying and Mr. CHENG Chuange as executive Directors; Mr. WANG Yijun, Ms. LIN Zhihong and Mr. SHOU Fugang as non-executive Directors; Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun as independent non-executive Directors.*