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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)**

**CONTINUING CONNECTED TRANSACTION  
FINANCIAL TECHNOLOGY SERVICES FRAMEWORK AGREEMENT**

On 1 December 2020, the Company entered into the Financial Technology Services Framework Agreement with BOCOM pursuant to which the Group has agreed to provide certain financial technology services to the BOCOM Group. The Financial Technology Services Framework Agreement is effective from the Effective Date up to and including 31 December 2022, and shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules.

For the purpose of compliance with the Listing Rules, the proposed annual caps in respect of transactions under the Financial Technology Services Framework Agreement for each of the three years ending 31 December 2020, 2021 and 2022 are set forth in this announcement.

As at the date of this announcement, BOCOM and its associates held approximately 73.14% of the issued Shares. Therefore, BOCOM is the controlling shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Financial Technology Services Framework Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the transactions under the Financial Technology Services Framework Agreement, on an annual basis, is 5% or more, the Financial Technology Services Framework Agreement (including the proposed annual caps) 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 Technology Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will convene the EGM for the purpose of, among others, considering and if thought fit, approving the Financial Technology Services Framework Agreement (including the proposed annual caps).

A circular containing, among other things, (i) further information on the Financial Technology Services Framework Agreement and the proposed annual caps; (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; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 10 December 2020 pursuant to Rule 14A.68(11) of the Listing Rules.

## **INTRODUCTION**

On 1 December 2020, the Company entered into the Financial Technology Services Framework Agreement with BOCOM pursuant to which the Group has agreed to provide certain financial technology services to the BOCOM Group. The Financial Technology Services Framework Agreement is effective from the Effective Date up to and including 31 December 2022, and shall be renewed automatically for successive periods of three years thereafter, subject to compliance with the then applicable requirements of the Listing Rules. After expiration of the initial term, each automatic renewal of the Financial Technology Services Framework Agreement (including the proposed annual caps therefor) for successive periods of three years thereafter will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the highest applicable percentage ratio in respect of the respective proposed annual caps is 5% or more.

## PRINCIPAL TERMS

The principal terms of the Financial Technology Services Framework Agreement are:

- Date : 1 December 2020
- Parties : 1. the Company  
2. BOCOM
- Scope of service : All provision of financial technology services by members of the Group to members of the BOCOM Group comprising the following:
1. computer software development, information system operation and maintenance services and information system integration services; and
  2. information system consultancy services.
- General terms : At any time during the term of the Financial Technology Services Framework Agreement, the relevant member of the Group and the relevant member of the BOCOM Group may from time to time enter into definitive agreements in relation to any transaction(s) under the Financial Technology Services Framework Agreement upon, and subject to, the terms and conditions being in compliance with those of the Financial Technology Services Framework Agreement.

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

1. in the ordinary and usual course of business of the Group and the BOCOM Group;
2. on an arm's length basis;
3. on normal commercial terms or better to the Group;
4. on terms no less favourable than those offered by the Group to independent third parties for similar transactions;

5. in accordance with the specified pricing policies; and
6. in compliance with, among other things, the Listing Rules and applicable laws and regulations.

Pricing policies : The service fees to be charged by the Group to the BOCOM Group shall be conducted on commercial principles based on the prevailing market prices in the finance industry. The relevant market prices as at the date of the Financial Technology Services Framework Agreement are set out below for reference only:

1. Computer software development, information system operation and maintenance services and information system integration services

Computer software development	Information system operation and maintenance services	Information system integration services
High-end: RMB80,000/ per month for per staff	High-end: RMB75,000/ per month for per staff	High-end: RMB80,000/ per month for per staff
Mid-end: RMB50,000/ per month for per staff	Mid-end: RMB45,000/ per month for per staff	Mid-end: RMB50,000/ per month for per staff
Low-end: RMB35,000/ per month for per staff	Low-end: RMB30,000/ per month for per staff	Low-end: RMB35,000/ per month for per staff
The proportion for high-end, mid-end and low-end services is expected to be approximately 2:4:1	The proportion for high-end, mid-end and low-end services is expected to be approximately 2:4:1	The proportion for high-end, mid-end and low-end services is expected to be approximately 2:4:1

2. Information system consultancy services

High-end: RMB100,000/per month for per staff

Mid-end: RMB70,000/per month for per staff

Low-end: RMB35,000/per month for per staff

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

## **CONDITION PRECEDENT**

The Financial Technology Services Framework Agreement shall take effect upon satisfaction of the following condition precedent:

- passing by the Independent Shareholders at a duly convened EGM of an ordinary resolution approving the Financial Technology Services Framework Agreement and the transactions contemplated thereunder.

If the above condition precedent is not satisfied on or before the Long Stop Date, then BOCOM shall, within 3 Business Days from the Long Stop Date, by notice in writing to the Company elect to:

1. defer the date for satisfaction of the above condition precedent; or
2. terminate the Financial Technology Services Framework Agreement.

## **FINANCIAL TECHNOLOGY SERVICES**

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

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

The Group has recruited a number of technical personnel with the requisite expertise and experience in providing financial technology services. The Group is in the process of recruiting additional technical personnel with such expertise and experience to build up its servicing capacity.

## **HISTORICAL TRANSACTION AMOUNTS**

No historical transaction amount is available as the Group had not previously provided financial technology services to the BOCOM Group.

## PROPOSED ANNUAL CAPS

The proposed annual caps in respect of the transactions under the Financial Technology Services Framework Agreement for each of the three years ending 31 December 2020, 2021 and 2022 are:

	Year ending 31 December		
	2020 <sup>(1)</sup>	2021	2022
	<i>(RMB million)</i>		
Computer software development, information system operation and maintenance services and information system integration services	90	540	720
Information system consultancy services	10	60	80

*Note:* <sup>(1)</sup> Considering the transactions contemplated under the Financial Technology Services Framework Agreement are expected to commence in the fourth quarter of 2020 if approved by the Independent Shareholders in the EGM, the proposed annual caps for 2020 reflect the expected transaction amount for the period from the Effective Date (i.e. the date of EGM when Independent Shareholders' approval has been obtained) to 31 December 2020 (both dates inclusive). For illustration purpose only, the implied annual caps of the year ending 31 December 2020 are (i) RMB360 million for computer software development, information system operation and maintenance services and information system integration services; and (ii) RMB40 million for information system consultancy services.

## BASIS OF DETERMINATION OF ANNUAL CAPS

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

1. the prevailing market prices for the provision of similar financial technology services;
2. the expenditures for financial technology services incurred by members of the BOCOM Group in previous years; and
3. the expected demand for financial technology services by members of the BOCOM Group.

The proposed annual caps for the three years ending 31 December 2022 increase at an average rate of over 40% per annum. This expected growth is based on (i) the expected demand for financial technology services by the BOCOM Group; and (ii) the expected increase of the Group's capacity to provide financial technology services.

For each of the three years ended 31 December 2019, the BOCOM Group incurred approximately RMB1,789 million, RMB1,893 million and RMB2,087 million respectively in expenses related to computer software development, information system operation and maintenance services and information system integration services. For each of the three years ended 31 December 2019, the BOCOM Group incurred approximately RMB22 million, RMB34 million and RMB39 million respectively in expenses related to information system consultancy services.

Although the annual financial technology services expenses incurred by the BOCOM Group grew at a relatively low rate of approximately 8.3% per annum in the three years ended 31 December 2019, such expenses are expected to grow at a much higher rate in the future in line with the business strategy of the BOCOM Group and the Group. According to the 2019 BOCOM Annual Report, it is one of the future strategies of the BOCOM Group to accelerate digital transformation, including continuously increase in technology input, expediting the re-engineering of processes and innovation and developing an advantage in the forward-looking financial technology area. According to the 2020 BOCOM Interim Report, BOCOM will continue financial technology path, promote the execution of financial technology for front line businesses and build up the operation management via financial technology. In addition, in the 2019 BOCOM Interim Report, it is noted that the BOCOM Group intended to gradually increase its total investment in information construction, which is related to financial technology, to 10% of its operating expenses. With reference to the operating expenses incurred by the BOCOM Group of approximately RMB144,324 million for the year ended 31 December 2019, in order to achieve the stated strategy and to meet the expenditure target mentioned above, the BOCOM Group might increase its expenses in information construction, which the investment in financial technology forms part, to approximately RMB14,432 million in the future.

To capture the potential business opportunity and satisfy the expected increase in demand for financial technology services by the BOCOM Group, BOCOM Financial Technology will build up its servicing capacity by expanding its talent pool. The Company expects to at least double the Group's staff for provision of financial technology services in 2021 and continue to increase the servicing capacity going forward.

Considering the huge expenditure target of the BOCOM Group (approximately RMB14,432 million) set for the total investment in information construction, the Company believes that there is ample room for increase in the amount of expenditure to be spent on similar financial technology services by the BOCOM Group (amounted to approximately RMB2,125 million for the year ended 31 December 2019), which forms part of the investment in information construction, in the coming years. The Company believes that as BOCOM Financial Technology increases its servicing capacity in the three years ending 31 December 2022, part of these additional expenditures would likely fall under the scope of work of the Financial Technology Services Framework Agreement. Therefore, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) believe that it is fair and reasonable to expect the proposed annual caps to grow at a high rate.



## INTERNAL CONTROL MEASURES

To ensure that the transactions contemplated under the Financial Technology Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole and that the transaction amounts do not exceed the proposed annual caps, BOCOM Financial Technology will adopt the following internal approval and monitoring procedures:

Before BOCOM Financial Technology confirms the pricing and terms of a project under the Financial Technology Services Framework Agreement, the project will be categorised into one of 4 progressive price levels, to be considered and approved by the following predefined authority hierarchy:

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

The unit responsible for the pricing review will consider the pricing for two or more independent third parties in respect of financial technology services of a similar nature and scale, in order to determine whether the proposed pricing and terms of the project under the Financial Technology Services Framework Agreement are fair, reasonable, and no less favorable than those offered to independent third parties.

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

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



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

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

#### **REASONS FOR AND BENEFITS OF THE FINANCIAL TECHNOLOGY SERVICES FRAMEWORK AGREEMENT**

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

#### **DIRECTORS' CONFIRMATION IN RESPECT OF THE FINANCIAL TECHNOLOGY SERVICES FRAMEWORK AGREEMENT**

The Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser in respect of the Financial Technology Services Framework Agreement and the proposed annual caps) are of the view that the Financial Technology Services Framework Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial

terms or better, and the terms of the Financial Technology Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Due to the executive roles of Ms. LIN Zhihong, Mr. SHOU Fugang and Ms. PO Ying in the BOCOM Group, such non-executive Directors are considered to have a material interest in the Financial Technology Services Framework Agreement and the transactions contemplated thereunder and accordingly have abstained from voting on the relevant Board resolutions in respect of the approval of the Financial Technology Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps). In addition, Ms. LIN, Mr. SHOU and Ms. PO are also employees of BOCOM. Save as disclosed above, none of the Directors has a material interest in the Financial Technology Services Framework Agreement and the transactions contemplated thereunder and none of them has abstained from voting on the relevant Board resolutions.

### **INFORMATION ON BOCOM FINANCIAL TECHNOLOGY**

BOCOM Financial Technology's initial business scope includes (but is not limited to) developing high-end infrastructure for the BOCOM Group (such as distributed databases, middleware and distributed systems), establishing working groups for technical personnel to provide services on a by-project-basis, providing research and development services to application systems of the BOCOM Group's subsidiaries, providing technical development and product output to certain customers with a government background or important financial services customers based on the BOCOM Group's needs.

In the initial stage of operations, it is expected that more than 80% of BOCOM Financial Technology's business will be provision of services to the BOCOM Group. Anticipating that BOCOM Financial Technology will further expand its business, the proportion of business generated from independent third-party clients is expected to increase gradually. At the same time, BOCOM Financial Technology will expand its service variety too.

### **INFORMATION ON THE COMPANY AND 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 BOCOM AND THE BOCOM GROUP**

BOCOM is a commercial and retail bank providing banking services mainly in the People's Republic of China, 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, interbank and financial market business, fund management, trustees, financial leasing, insurance, overseas securities, debt-to-equity swap, asset management and other financial services.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BOCOM and its associates held approximately 73.14% of the issued Shares. Therefore, BOCOM is the controlling shareholder of the Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Financial Technology Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the proposed annual caps for the Financial Technology Services Framework Agreement, on an annual basis, is 5% or more, the Financial Technology Services Framework Agreement (including the proposed annual caps) will be subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the EGM for the purpose of, among others, considering and if thought fit, approving the Financial Technology Services Framework Agreement (including the proposed annual caps).

A circular containing, among other things, (i) further information on the Financial Technology Services Framework Agreement and the proposed annual caps; (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; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules, will be despatched to the Shareholders on or before 10 December 2020 pursuant to Rule 14A.68(11) of the Listing Rules.

## DEFINITIONS

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

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“BOCOM”	Bank of Communications Co., Ltd, a company incorporated in the People’s Republic of China 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 the ultimate controlling shareholder of the Company
“BOCOM Financial Technology”	BOCOM Financial Technology Company Limited* (交銀金融科技有限公司), a company incorporated in the People’s Republic of China, and a wholly-owned subsidiary of the Company
“BOCOM Group”	BOCOM and its subsidiaries (excluding the Group)
“Business Day”	a day on which banks in the Mainland of the People’s Republic of China and Hong Kong are open for general business (other than a Saturday, Sunday or public holiday)
“Company”	BOCOM International Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 3329)
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Effective Date”	the date on which the Financial Technology Services Framework Agreement becomes unconditional
“EGM”	the extraordinary general meeting of the Company (or any adjournment thereof) to be held for the purpose of, among others, considering and, if thought fit, approving the Financial Technology Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Financial Technology Services Framework Agreement”	the conditional financial technology services framework agreement dated 1 December 2020 which was entered into between the Company and BOCOM in relation to the provision of certain financial technology services by the Group to the BOCOM Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, 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 the 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 Technology Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Financial Technology Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholders”	the Shareholders other than BOCOM and its associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the nine months from the execution date of the Financial Technology Services Framework Agreement or such later date as the Company and BOCOM may agree in writing
“percentage ratio”	has the same meaning as ascribed to it under the Listing Rules
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules
“%”	per cent.

\* *For identification purpose only*

By Order of the Board  
**BOCOM International Holdings Company Limited**  
**YI Li**  
*Company Secretary*

Hong Kong, 1 December 2020

*As at the date of this announcement, the Board comprises Mr. TAN Yueheng, Mr. MENG Yu and Mr. CHENG Chuange as Executive Directors; Ms. LIN Zhihong, Mr. SHOU Fugang and Ms. PO Ying as Non-executive Directors; and Mr. TSE Yung Hoi, Mr. MA Ning and Mr. LIN Zhijun as Independent Non-executive Directors.*