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OCI International Holdings Limited

東建國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 329)

**(I) DISCLOSEABLE TRANSACTION
IN RELATION TO THE SUBSCRIPTION OF USD LEVERAGED
BOND-LINKED NOTE
AND
(II) ANNOUNCEMENT PURSUANT TO
RULES 13.13 AND 13.15 OF THE LISTING RULES**

SUBSCRIPTION OF NOTE

On 12 October 2018 (after trading hours), OCI Capital as Noteholder, being a wholly-owned subsidiary of the Company, subscribed for USD leveraged bond-linked Note in the aggregate nominal amount of US\$10 million linked to the Reference Bond issued by the Note Issuer for a consideration of US\$5,026,562.50 (being approximately HK\$39,459,000).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of (i) the subscription of the Note on a stand-alone basis; and (ii) the subscription of the Note from the Note Issuer, when aggregated with TRS Agreements with HIGSI effective on 12 January 2018, exceed(s) 5% but is/are less than 25%, the subscription of Note constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. The ultimate holding company of both the Note Issuer and HIGSI is Haitong Securities.

As the principal amount of the Note will exceed 8% under the assets ratio (as defined under Rule 14.07(1) of the Listing Rules), this announcement is made also for the purpose of compliance with Rules 13.13 and 13.15 of the Listing Rules.

SUBSCRIPTION OF NOTE

On 12 October 2018 (after trading hours), OCI Capital, being a wholly-owned subsidiary of the Company, subscribed for USD leveraged bond-linked Note in the aggregate nominal amount of US\$10 million issued by the Note Issuer for a consideration of US\$5,026,562.50 (being approximately HK\$39,459,000), payable upon the completion date, which is expected to be on or around 19 October 2018.

The Note is issued pursuant to the US\$3,000,000,000 structured note programme of the Note Issuer guaranteed by the Note Guarantor and are linked, as described below, to Reference Bond issued by the Reference Bond Issuer.

PRINCIPAL TERMS OF THE NOTE

The principal terms of the Note are summarized as follows:

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|---|---|
| Issue Date: | 19 October 2018 |
| Maturity Date: | 16 August 2021 (assuming the Reference Bond is not redeemed prematurely) |
| Aggregate Nominal Amount: | US\$10,000,000 |
| Initial Price: | 100.53125% |
| Issue Price: | US\$5,026,562.50 |
| Funding Amount being amount effectively borrowed by the Group from the Hedge Provider: | US\$5,026,562.50 (“ Funding Amount ”) |
| Specified Denomination: | US\$10,000 |
| Interest Amount: | 7.875% p.a. on the nominal amount of US\$10,000,000 of the Reference Bond minus the sum of 3 months LIBOR and 2.70% p.a. on Funding Amount, payable semi-annually. |
| Redemption on Maturity: | The Issuer is required to pay to the Noteholder the Final Redemption Amount on Maturity Date. Where the Valuation Date falls on the scheduled maturity date of the Reference Bond, the Maturity Date will be 2 business days after the date on which the Calculation Agent receives the redemption proceeds from the Reference Bond Issuer. |

Early Redemption on certain events:

The Note may be early redeemed upon the occurrence of the following events:

- (i) dissolution, insolvency or initiation of winding up proceedings of the Reference Bond Issuer;
- (ii) change in law resulting in the Note Issuer becoming illegal to hold, acquire or dispose of the Note or incur materially increase cost in performing its obligations with respect to the Note;
- (iii) the Hedge Provider is unable (after using commercially reasonable efforts) to, or would incur a materially increased amount of tax, expense or fee to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions or assets it deems necessary to hedge the risk of performing its obligations with respect to the Note, or freely realise, recover or remit the proceeds of such transaction(s) or asset(s);
- (iv) the Hedge Provider is unable, after using commercially reasonable efforts, to transfer or convert through customary legal channels any amount denominated in the settlement currency, or obtain a rate or a commercially reasonable rate, for the acquisition, establishment, re-establishment, substitution, maintenance, unwind or disposal of any transaction or assets that the Hedge Provider deems necessary to hedge the relevant price risk of performing the Note Issuer's obligations with respect to the Note;
- (v) the delisting of the Reference Bond Issuer;
- (vi) the Reference Bond Issuer fails to duly make payments under the Reference Bond or occurrence of events resulting in acceleration of the Reference Bond; and

(vii) validity of the Reference Bond is challenged by authorities or moratorium or standstill is declared or imposed with respect to the Reference Bond.

Mandatory Redemption Event:

In the event that the price of the Reference Bond falls to 80% of the Initial Price, the Note will be terminated with immediate effect and the Issuer will redeem the Note in the Early Redemption Amount on a date to be notified by the Calculation Agent.

Optional Early Redemption by Noteholder:

The Noteholder is entitled to early terminate the Note by giving the Calculation Agent notice at the Early Redemption Amount.

Early Redemption Amount:

The Early Redemption Amount is the Final Redemption Amount but on the basis that the Final Price is determined on the basis that the Valuation Date is the date of the notice from the Calculation Agent in respect of the relevant redemption event.

The Noteholder may elect for physical settlement upon early redemption (other than optional early redemption by Noteholder). Upon payment by the Noteholder of the aggregate Unpaid Floating Amount plus Funding Amount, the Note Issuer will deliver the Reference Bond in the aggregate nominal amount of US\$10,000,000 to the Noteholder.

“Unpaid Floating Amount” means, where the Interest Amount is in the negative, the difference between 7.875% p.a. on the nominal amount of the Reference Bond and 3 Months LIBOR+ 2.70% p.a. on the nominal amount of the Reference Bond.

Final Redemption Amount:

In respect of each Note, the greater of:

- (a) zero; and
- (b) an amount in the specified currency determined by the Calculation Agent calculated in accordance with the following formula:

Final Price x USD10,000 - aggregate Unpaid Floating Amount - Funding Amount

“Final Price” being the firm bid clean price that the Calculation Agent is able to obtain from reputable dealers, minus the accrued interest on the Reference Bond and any reasonable commission, expenses, charges, levies and taxes in connection with the redemption.

Reference Bond:

The Note are linked to the Reference Bond, details of which is set out below:

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| Reference Bond Issuer | : KWG Group Holdings Limited (1813.HK) |
| Subsidiary Guarantor of the Reference Bond | : Certain existing subsidiaries of the Reference Bond Issuer |
| ISIN | : XS1811206066 |
| Maturity | : 9 August 2021 |
| Coupon | : 7.875% p.a. |
| Nominal Amount | : US\$10,000,000 |

The amount payable by OCI Capital for the subscription of the Note will be satisfied by the internal resources of the Group.

INFORMATION OF THE NOTE ISSUER, THE NOTE GUARANTOR AND THE REFERENCE BOND ISSUER

The Note Issuer, Haitong International Products & Solutions Limited, was incorporated in the British Virgin Islands with limited liability on 14 August 2014, for the purpose of the establishment of the US\$3,000,000,000 structured products programme as mentioned above.

The Note Guarantor, Haitong International Securities Group Limited is a limited liability company incorporated in Bermuda and its shares were listed on the Main Board of Hong Kong Stock Exchange (stock code: 665.HK). The Note Guarantor is an investment holding company and its subsidiaries are principally engaged in wealth management, corporate finance, asset management, institutional client service and investment. Its ultimate holding company, Haitong Securities is listed on both Shanghai Stock Exchange and the Hong Kong Stock Exchange (stock code: 600837.SH; 6837.HK).

The Reference Bond Issuer, KWG Group Holdings Limited, is a limited liability company incorporated in the Cayman Islands and its shares were listed on the Main Board of Hong Kong Stock Exchange (stock code: 1813.HK). Its principal activities is investment holding and its subsidiaries are principally engaged in property development, property investment and construction in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Note Issuer, the Note Guarantor and the Reference Bond Issuer and their respective ultimate controlling shareholder are an Independent Third Party(ies).

REASONS, BENEFITS AND RISK OF THE SUBSCRIPTION

The Company is an investment holding company and its subsidiaries are engaged in securities trading and investments. The Group subscribed the Note for investment purpose. The Subscription of US\$5,026,562.50 is 4.9% of the total asset of the Group as at 30 June 2018.

The Subscription can generate investment income and a reasonable return to the Group. Having considered the Initial Price was determined based on the price reference on Bloomberg which is 98.551% clean price + 0.5% commission and accrued interest to the principal amount of the Reference Bond during the negotiation plus a spread negotiated between the Noteholder and the Note Issuer. Under the Subscription, the Group is able to earn the potential return upon redemption based on returns from the Reference Bond (in absence of default or a significant reduction of market value of the Reference Bond) and the amount of investment made in the Note which is less than the face value of the Reference Bond.

In addition, the Group also has assessed the following hypothetical worst case scenario:

- (i) If the market value of the Reference Bond drops to zero and/or the Reference Bond Issuer fails to redeem the Reference Bond, the Company will not recover its investment of US\$5,026,562.50 but will nevertheless be required to pay the Funding Amount plus break/unwind costs to the Issuer on redemption; and/or
- (ii) If the Note Issuer or the Note Guarantor defaults in repaying the principal and interest on Redemption, the Company will lose its investment of US\$5,026,562.50 paid by the Noteholder.

The Group considered that the risk of the occurrence of any of the above scenario is relatively low, taking into account that (i) the Note Guarantor is a well-established financial services provider with S&P credit ratings of "BBB" long-term and "A-2" short-term - according to its annual report 2017, it has net asset of HK\$25.37 billion as at 31 December 2017 and net profit attributable to shareholders of HK\$3 billion

in 2017; and (ii) the Reference Bond Issuer is one of the leading large-scale property developers in Guangzhou - according to its annual report 2017, it has net assets of RMB28.25 billion as at 31 December 2017 and net profit of RMB3.6 billion in 2017.

The terms of the Subscription were determined basing on arm's length negotiation between the Noteholder and the Note Issuer on normal commercial terms. Having considered the terms of the Subscription, the Directors are of the view that the terms of the Subscription are fair and reasonable and the Subscription are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of (i) the Subscription on a stand-alone basis; and (ii) the Subscription, when aggregated with TRS Agreements with HIGSI of US\$6,025,000 effective on 12 January 2018, exceed(s) 5% but is/are less than 25%, the subscription of Note constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Both the ultimate holding company of the Note Issuer and HIGSI is Haitong Securities.

As the principal amount of the Note will exceed 8% under the assets ratio (as defined under Rule 14.07(1) of the Listing Rules), this announcement is made also for the purpose of compliance with Rules 13.13 and 13.15 of the Listing Rules.

DEFINITIONS

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

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| “Board” | the board of Directors; |
| “Calculation Agent” | Haitong International Financial Solutions Limited; |
| “Company” | OCI International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares which are listed on the main board of the Stock Exchange; |
| “connected person(s)” | has the same meaning ascribed to it in the Listing Rules; |
| “Director(s)” | the director(s) of the Company; |
| “Group” | the Company and its subsidiaries; |

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| “Haitong Securities” | Haitong Securities Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability, whose overseas listed foreign invested shares are listed on the Main Board of the Stock Exchange (Stock Code: 6837) and the domestic listed shares are listed on Shanghai Stock Exchange (Stock Code: 600837); |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong; |
| “Hedge Provider” | Haitong International Financial Solutions Limited or its affiliates; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “Note” | US\$ leveraged bond-linked notes (Series: ED/BLN/18/0028) issued pursuant to the US\$3,000,000,000 structured products programme of the Note Issuer guaranteed by the Note Guarantor; |
| “Noteholder” | holder(s) of the Note; |
| “Note Issuer” | Haitong International Products & Solutions Limited, a wholly-owned subsidiary of the Note Guarantor; |
| “Note Guarantor” | Haitong International Securities Group Limited; |
| “OCI Capital” | OCI Capital Limited, a wholly-owned subsidiary of the Company, which is engaged in investment holding; |
| “PRC” | The People’s Republic of China, for the announcement, not including Hong Kong Special Administrative Region, Macau Special Administrative Region of the People’s Republic of China and Taiwan; |

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| “Reference Bond” | 7.875% Senior Notes Due 2021 issued by the Reference Bond Issuer in August 2018; |
| “Reference Bond Issuer” | KWG Group Holdings Limited; |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company; |
| “Shareholder(s)” | holder(s) of the Share(s); |
| “Subscription” | subscription of the Note by the Company pursuant to the terms of the Note; |
| “USD/US\$” | U.S. dollars, the lawful currency of the United States; |
| “Valuation Date” | 5 business days prior to the Maturity Date; and |
| “%” | per cent. |

In this announcement, for the purpose of illustration only, US\$ have been converted into HK\$ at the rate of US\$1 = HK\$7.85 for the purpose of illustration only.

By order of the Board
OCI International Holdings Limited
Feng Hai
Executive Director (Chairman)

Hong Kong, 12 October 2018

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Feng Hai (*Chairman*)
Mr. Li Yi (*Chief Executive Officer*)
Ms. Xiao Qing (*Chief Operating Officer*)

Independent non-executive Directors:

Mr. Chang Tat Joel
Mr. Wong Stacey Martin
Mr. Tso Siu Lun Alan
Mr. Fei John Xiang

Non-executive Directors:

Mr. Du Peng
Ms. Zheng Xiaosu