
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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OCI International Holdings Limited **東建國際控股有限公司**

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 329)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSAL OF INTEREST IN A SUB-FUND;
(2) PROPOSAL FOR RE-ELECTION OF A RETIRING DIRECTOR;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A notice convening the EGM to be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 12 August 2021 at 2:30 p.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.oci-intl.com>).

Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM (no later than 2:30 p.m., on Tuesday, 10 August 2021) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish and, in such event, the form of proxy shall be deemed to be revoked.

23 July 2021

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PRECAUTIONARY MEASURES FOR EGM

The following measures will be taken with a view to prevent and control the spread of the novel coronavirus (COVID-19) at the EGM, including:

- **Every attendee will be required to submit a completed and signed health declaration form prior to being admitted to the EGM venue**
- **Mandatory screening of body temperature**
- **Mandatory wearing of a surgical face mask**
- **Physical distancing**
- **No food and beverage service**
- **No handing out of corporate gifts**
- **Limiting attendance in person at the EGM venue**

The Company will limit attendance in person at the EGM venue subject to strict compliance of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation at any one time in the EGM venue. The Board reserves the right to change this maximum attendance number at any time depending on the public health situation at the time of the EGM and the guidance of the Hong Kong Government.

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine will be denied entry into the meeting venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the meeting in person.

DEFINITIONS

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

“Administrator”	the administrator of the Sub-Fund, being ICBC (Asia) Trustee Company Limited
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Class A Share”	a participating share designated as a Class A Share
“Class B Share”	a participating share designated as a Class B Share
“Company”	OCI International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 329)
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	consideration of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares in the Sub-Fund of SPC
“EGM”	the extraordinary general meeting of the Company to be convened at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong, on Thursday, 12 August 2021 at 2:30 p.m. to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules
“Facility Agreement”	the revolving facility agreement entered into between the Company as borrower and Orient Finance as lender on 1 January 2018 (as supplemented by the approval for extending the maturity date of revolving loan facility dated 2 April 2020 and the supplemental agreement dated 23 June 2021)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Directors, namely Mr. Chang Tat Joel, Mr. Tso Siu Lun Alan, Mr. Li Xindan and Dr. Lo Wing Yan William, formed to advise the Independent Shareholders as to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Innovax Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than the Shareholders who have a material interest in the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder (i.e. the Shareholders other than Orient Securities and its associates)
“Latest Practicable Date”	19 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2021 or such later date as the parties to the Sale and Purchase Agreement may agree in writing
“Manager”	the manager of the Sub-Fund, being ICBC Asset Management (Global) Company Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules
“Orient Finance” or “Purchaser”	Orient Finance Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Orient Securities, which is a substantial Shareholder of the Company, and thus a connected person of the Company
“Orient Securities”	Orient Securities Co., Ltd. [#] (東方證券股份有限公司), a joint stock company incorporated in the PRC with limited liability and a substantial Shareholder of the Company
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Placement Memorandum”	the placement memorandum issued by the SPC and the Manager in April 2019 which sets out general information relating to the SPC and its structure

DEFINITIONS

“PRC”	the People’s Republic of China, which for the sole purpose of this circular, shall exclude Hong Kong, Macau and Taiwan
“Reference Date”	the date on which a valuation request of the Sale Shares is made by the Company and the Purchaser to the Administrator and/or the transfer agent
“Sale and Purchase Agreement”	the sale and purchase agreement dated 23 June 2021 entered into between the Company as the vendor and Orient Finance as the purchaser in respect of the Disposal
“Sale Shares”	the 7,900 Class B Shares in the Sub-Fund of SPC, subject to adjustment pursuant to the terms of the Sale and Purchase Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“SPC”	ICBC AMB China Fund I SPC, an exempted company incorporated with limited liability and registered as a segregated portfolio company in the Cayman Islands under the laws of the Cayman Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-Fund”	ICBC US Dollar Debt Fund SP, a segregated portfolio of the SPC
“Supplement”	the supplement issued by the Sub-Fund, the SPC and the Manager which relates to the Sub-Fund, as may be amended and supplemented by the SPC from time to time
“US\$”	United States dollars, the lawful currency of the United States America
“%”	per cent.

Save for the above and for illustrative purposes only, conversion of US\$ into HK\$ is made at the following exchange rate: US\$1.00 = HK\$7.8. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.

[#] *The English transliteration of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE BOARD



OCI International Holdings Limited

東建國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 329)

Directors:

Mr. Jiao Shuge* (*Chairman*)
Mr. Wu Guangze (*Chief Executive Officer*)
Mr. Feng Hai
Mr. Wei Bin
Ms. Zheng Xiaosu*
Mr. Chang Tat Joel**
Mr. Tso Siu Lun Alan**
Mr. Li Xindan**
Dr. Lo Wing Yan William**

* *Non-executive Director*

** *Independent non-executive Director*

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Suite 811
Level 8
One Pacific Place
88 Queensway
Admiralty
Hong Kong

23 July 2021

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSAL OF INTEREST IN A SUB-FUND;
(2) PROPOSAL FOR RE-ELECTION OF A RETIRING DIRECTOR;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Company's announcement dated 23 June 2021 regarding the disposal of Sale Shares in the Sub-Fund.

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 23 May 2019 regarding the subscription of 20,000 Class B Shares issued by the Sub-Fund and the annual report of the Company for the financial year ended 31 December 2018, 2019 and 2020 regarding a fixed-rate unsecured revolving facility of US\$100 million granted by Orient Finance pursuant to the Facility Agreement.

On 23 June 2021 (after trading hours), the Company as the vendor and Orient Finance as the purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to sell and Orient Finance conditionally agreed to purchase the Company's entire right, title and interest in the Sale Shares in the Sub-Fund of SPC at the Consideration of no more than US\$8,000,000 (equivalent to approximately HK\$62,400,000).

Proceeds of the Disposal will be used to repay the outstanding loan in the amount of US\$6,000,000 (equivalent to approximately HK\$46,800,000), together with all accrued interest, owing from the Company to Orient Finance under the revolving loan facility granted by Orient Finance to the Company on 1 January 2018 pursuant to the Facility Agreement. The remaining balance of the proceeds of the disposal will be used as working capital of the Company for its future operation.

Reference is also made to the announcement of the Company dated 2 July 2021 regarding the appointment of Dr. Lo Wing Yan William ("**Dr. Lo**") as the independent non-executive Director with effect from 2 July 2021.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Disposal; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; (iv) the proposal for re-election of the retiring Director; (v) the notice of the EGM; and (vi) other information as required to be disclosed under the Listing Rules.

2. THE SALE AND PURCHASE AGREEMENT

Date

23 June 2021 (after trading hours)

Parties

Purchaser: Orient Finance Holdings (Hong Kong) Limited

Vendor: the Company

As at the Latest Practicable Date, the Purchaser is a wholly-owned subsidiary of Orient Securities, which indirectly holds 20.94% of the issued share capital of the Company and is a substantial shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Company's entire right, title and interest in the Sale Shares free from and clear of any and all claims, pledges, liens or other encumbrances whatsoever, together with all the liabilities and obligations of the Company as a holder of the Sale Shares under the Placement Memorandum and the Supplement, with effect on and from the Completion.

The Sale Shares are 7,900 Class B Shares in the Sub-Fund of the SPC, subject to adjustment pursuant to the terms of the Sale and Purchase Agreement.

The Manager of the Sub-Fund is ICBC Asset Management (Global) Company and the Administrator of the Sub-Fund is ICBC (Asia) Trustee Company Limited. The fund size of the Sub-Fund was US\$60 million including both Class A Shares of US\$40 million and Class B Shares of US\$20 million. Pursuant to the subscription agreement entered into between the Company and SPC dated 23 May 2019, the Company subscribed 20,000 Class B Shares for US\$20 million. Both Class A and Class B Shares are entitled to a fixed return accruing on each anniversary of 3 June 2020 at 4% per annum on its subscription amount. Provided that the portfolio has sufficient distributable assets after payment of the Class A fixed return and deduction of all fees, expenses and other liabilities of the Sub-Fund (including, but not limited to, the management fees), each Class B Share carries the right to a fixed return accruing on each distribution date calculated at the rate of 4% per annum on the subscription amount. Please refer to the announcement of the Company dated 23 May 2019 for further details of the Sub-Fund.

The Sub-Fund generates income through investing in US dollar-denominated bonds (including, but not limited to, investment-grade bonds, high-yield bonds, and convertible bonds), notes and other fixed income and money market instruments issued by companies based in or with their headquarters in the PRC. Target issuers are stated to include qualified real estate bond issuers; financial institutions with high incomes and other corporate bonds and local government financing vehicles.

As at 31 May 2021, the net asset value of the Sale Shares was US\$8,352,670 (equivalent to approximately HK\$65,150,826), based on the net asset value of US\$1,057.3 (equivalent to approximately HK\$8,246.9) per Class B Share, according to the net asset value report of the Sub-Fund.

LETTER FROM THE BOARD

The net profit (loss) (both before and after tax) attributable to the Sale Shares in aggregate for the two financial years ended 31 December 2019 and 31 December 2020 is as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income	Nil	2,465
Unrealised gain (loss) arising from fair value change	4,480	(966)
Profit (loss) before tax	NA ^(Note)	NA ^(Note)
Profit (loss) after tax	NA ^(Note)	NA ^(Note)

Note:

The Sub-Fund has a fixed term of three years until 2 June 2022 and the Directors are of the view that the Sub-Fund (including the Sale Shares) is a long-term investment for the Company. Since the Company (i) did not incur management expense from the Sub-Fund, and (ii) was not able to apportion its costs to the Sub-Fund, the Company had only recorded dividend income (where applicable) and unrealised gain or loss arising from fair value change. As such, the net profit or loss (both before and after tax) attributable to the Sale Shares for the financial years ended 31 December 2019 and 2020 is not available.

For illustration purposes only, based on the average lending expenses incurred from financing investment activities for the year ended 31 December 2019 and 2020 apportioned to the Sale Shares, the profit before and after tax for the year ended 31 December 2019 attributable to the Sale Shares amounted to approximately HK\$3.0 million and HK\$2.5 million respectively, while the loss before and after tax for the year ended 31 December 2020 attributable to the same amounted to approximately HK\$1.1 million and HK\$917,000 respectively.

Consideration of the Disposal

The Consideration shall be the net asset value of the Sale Shares determined by the Administrator, which is valued as at the Reference Date. For basis of the consideration, please refer to the paragraph headed “Basis of determining the Consideration” in this letter below.

Upon the fulfilment of Conditions (a) to (d) below, the Company and the Purchaser shall deliver a valuation request by way of e-mail to the Administrator and/or the transfer agent. The Administrator will set the date on which the valuation request delivered is received as the Reference Date for valuing the net asset value of the Sale Shares. The Administrator will notify the Company and the Purchaser the net asset value of the Sale Shares on or before the seventh (7th) day after the Reference Date.

The Company and the Purchaser agreed that the Consideration shall be capped at and shall not exceed US\$8,000,000 (equivalent to approximately HK\$62,400,000).

Subject to adjustment, in the event that the net asset value of the Sale Shares at the Reference Date as provided by the Administrator is not less than US\$6,000,000 (equivalent to approximately HK\$46,800,000), Condition (e) (as defined below) is deemed to be fulfilled and the Purchaser shall (i) purchase from the Company all the Sale Shares at the net asset value and (ii) settle the Consideration in the manner provided below.

LETTER FROM THE BOARD

In the event that the net asset value of the Sale Shares at the Reference Date as provided by the Administrator exceeds US\$8,000,000, the number of Sale Shares to be purchased by the Purchaser shall be reduced by the following formula and rounded down to the nearest whole share, to the effect that the total Consideration shall not exceed US\$8,000,000:

$$A = 7,900 - \frac{(7,900 \times P - US\$8,000,000)}{P}$$

WHERE:

- P is the net asset value of each Sale Share at the Reference Date as provided by the Administrator;
- A is the number of Sale Shares to be purchased by the Purchaser after adjustment if the net asset value of the Sale Shares is more than US\$8,000,000

The Consideration shall be payable by the Purchaser on the ninth (9th) day after the Reference Date (the “**Settlement Date**”) and shall be satisfied in the manner provided below:

- (a) the setting off of the outstanding loan in the amount of US\$6,000,000 (equivalent to approximately HK\$46,800,000), together with all accrued interest, owing from the Company to Orient Finance pursuant to the Facility Agreement (the “**Repayment Amount**”); and
- (b) the payment of the amount which is equal to the balance remaining after deducting the Repayment Amount from the Consideration on the Settlement Date, which will be used as working capital of the Company for its future operation.

Save for the expenses in connection with the transfer of shares, such commission and brokerage, stamp duty and legal fee which shall be borne by the Company, the Company and the Purchaser shall bear their respective legal costs and expenses incurred in the negotiation, preparation and execution and performance of the Sale and Purchase Agreement.

Post-completion guarantee

In the event that the SPC redeems the participating shares held by the Purchaser at the expiry of the investment term of the Sub-Fund (i.e. 2 June 2022), the sum of entitlement of the Purchaser as the holder of the Sale Shares comprising the aggregate of all the returns, distributions, income, and other payments received or accrued on the Sale Shares since Completion plus the redemption proceeds paid or payable to the Purchaser is less than the Consideration paid by the Purchaser, the Company shall pay to the Purchaser such shortfall within five business days upon receipt of written notice from the Purchaser.

LETTER FROM THE BOARD

Basis of determining the Consideration

The Consideration is determined after arm's length negotiations between the Company and the Purchaser with reference to, among other things, the volatility of price of the Sub-Fund and the fact that the Sub-Fund is not a fund traded in open market with readily-available market bid price, and hence the fairness of a net asset value by the Administrator.

As confirmed by the Company and the Purchaser, the Administrator is independent from both the Company and Purchaser. The Administrator carries out the valuation in accordance with a set of principles set out in the Memorandum and Supplement, which the Board considers it to be sufficiently independent.

The Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions of the Sale and Purchase Agreement

Completion is conditional upon the fulfilment of the following conditions (the "**Conditions**");

- (a) the written consent of the directors of SPC in relation to the transfer of the Sale Shares having been obtained pursuant to the Placement Memorandum;
- (b) the Purchaser having complied with all eligibility and identification requirements for a subscriber for the participating shares in the Sub-Fund pursuant to the Placement Memorandum;
- (c) the Sale and Purchase Agreement having been approved by a simple majority of the Shareholders of the Company (excluding those shareholders prohibited by the Listing Rules from voting on the relevant resolution) voting at the EGM;
- (d) the Company having duly performed and complied with all agreements, obligations and conditions contained in the Sale and Purchase Agreement which are required to be performed or complied with by it on or before the Completion, and shall have obtained all approvals, consents and qualifications necessary to comply with or perform such agreements, obligations and conditions; and
- (e) the net asset value of the Sale Shares not being less than US\$6,000,000 (equivalent to approximately HK\$46,800,000).

The Purchaser shall be responsible for the fulfilment of Condition (b) as set out above and shall provide all the necessary documents and information to comply with the eligibility and identification requirements for the participating shares.

LETTER FROM THE BOARD

In the event that the net asset value of the Sale Shares as provided by the Administrator is less than US\$6,000,000 (equivalent to approximately HK\$46,800,000), Condition (e) will not be fulfilled and the Sale and Purchase Agreement shall become null and void ab initio. The Purchaser's obligations to purchase the Sale Shares shall lapse.

The above Conditions cannot be waived by any party to the Sale and Purchase Agreement.

All the Conditions will have to be fulfilled on or before the Long Stop Date. If the above Conditions have not been fulfilled on or before the Long Stop Date or by such later date as may be agreed between the Company and the Purchaser, the Sale and Purchase Agreement shall thereupon become null and void ab initio and the Purchaser's obligations to purchase the Sale Shares shall lapse.

As at the Latest Practicable Date, save for Condition (a) as set out above, none of the conditions precedents to the Sale and Purchase Agreement had been fulfilled.

Discharge of obligation under the Facility Agreement

Upon Completion, the repayment obligations of the Company under the Facility Agreement shall be fully discharged.

3. EXPECTED GAIN OR LOSS OF THE DISPOSAL

According to the Group's accounting policy, the Group will record fair value change of the Sale Shares in profit or loss and/or reserve upon Completion, which represents the difference between the Consideration and the carrying amount of the Sale Shares as at 31 December 2020. For illustration purpose only, assuming (i) Completion is to take place in respect of all the Sale Shares and the determination of the Consideration is based on the net asset value of the Sale Shares determined by the Administrator and (ii) the prevailing net asset value is determined based on the valuation of US1,057.3 per share (equivalent to approximately HK\$8,246.9 per share) as at 31 May 2021, it is expected that an estimated loss of approximately US\$90,068 (equivalent to approximately HK\$702,530) in aggregate will be recorded as fair value change of the Sale Shares in profit or loss and/or reserve upon the Completion, subject to audit. The actual gain or loss on completion of the Disposal might be different given that the above estimate is based on the net asset value of the Sale Shares as at 31 May 2021 which might be different from those on the Reference Date.

4. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company had entered into the Facility Agreement with Orient Finance as lender for a revolving loan facility of up to US\$100 million on 2 January 2018 on normal commercial terms. The relevant facility was obtained to provide funding for working capital needs and continuing operation. For details of the revolving loan, please refer to the annual report of the Company for the financial year ended 31 December 2018, 2019 and 2020. Such lending arrangements constituted fully exempt financial assistance under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the outstanding loan in the amount of US\$6,000,000 (equivalent to HK\$46,800,000) is yet to be repaid by the Company to Orient Finance. To repay the outstanding debts without putting strain on the Company's liquidity and to further reduce the Company's interest expenses and gearing ratio and considering that the Sale Shares have been entitled to a fixed return of 4% per annum, which is substantially lower than the interest rate of the loans extended to the Company by Orient Finance, the Directors considered that it is financially favorable to transfer the Sale Shares to Orient Finance. In addition, the Directors are of the view that the net asset value of the Sub-Fund will likely remain stable or slightly decrease towards the end of the investment term of the Sub-Fund (i.e. 2 June 2022) and therefore the Directors consider that it is an appropriate time to dispose the Sale Shares. The Directors are of the view that after the entering into of the Sale and Purchase Agreement and the Disposal, the Company would be able to substantially relieve its liabilities under the Facility Agreement, and be able to allocate more resources to its business thereafter.

The Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms and in the ordinary and usual course of the business of the Group, and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

To the Directors' best knowledge, information and belief and having made all reasonable enquiries, none of the Directors has a material interest in the Disposal and therefore none of the Directors is required to abstain from voting on the relevant resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder under the articles of association of the Company or the Listing Rules.

5. GENERAL INFORMATION OF THE PARTIES TO THE TRANSACTIONS

The Company

The Company is an investment holding company and its subsidiaries are engaged in securities trading and investments, provision of asset management services including portfolio management and investment advice to qualified corporate and individual professional investors, provision of financial advisory services in the PRC and trading of wines.

Orient Finance/The Purchaser

Orient Finance is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Orient Securities. It principally engages in investment holdings and operation of securities brokerage business, futures brokerage business, asset management business, investment banking and margin financing business as regulated by the Hong Kong Securities and Futures Commission pursuant to SFO through establishment of various subsidiaries and licensed sub-subsidiaries.

LETTER FROM THE BOARD

Orient Securities is a joint stock company incorporated in the PRC with limited liability under the Chinese corporate name “東方證券股份有限公司” and carrying on business in Hong Kong as “東方證券” (in Chinese) and “DFZQ” (in English). Its shares are listed on the Main Board of the Stock Exchange (stock code: 3958) and the Shanghai Stock Exchange (stock code: 600958). Orient Securities is an integrated securities company established under the China Securities Regulatory Commission’s approval, which offers comprehensive one-stop professional integrated financial services comprising securities, futures, asset management, wealth banking, investment consultancy and securities research. Based on the annual report of Orient Securities for the year ended 31 December 2020, it is owned as to 25.27% by Shenergy (Group) Company Limited# (申能(集團)有限公司), a wholly-owned corporation by Shanghai State-owned Assets Supervision and Administration Commission# (上海市國有資產監督管理委員會).

6. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) in respect of the Disposal exceed 5% but not more than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement and notification requirements under the Listing Rules.

As at the Latest Practicable Date, Orient Finance is a wholly-owned subsidiary of Orient Securities, which indirectly holds 20.94% of the issued share capital of the Company and is a substantial shareholder of the Company. Accordingly, Orient Finance is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

An Independent Board Committee, comprising namely Mr. Chang Tat Joel, Mr. Tso Siu Lun Alan, Mr. Li Xindan and Dr. Lo, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company has appointed Innovax Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

The voting in respect of the Disposal at the EGM will be conducted by way of poll. As required under the Listing Rules, Orient Securities and its associates are required to abstain from voting in respect of the resolution approving the Sale and Purchase Agreement and the Disposal at the EGM. As at the Latest Practicable Date, Golden Power Group Limited holds 314,000,000 Shares, representing approximately 20.94% of the issued share capital of the Company. As Golden Power Group Limited is a wholly-owned subsidiary of Orient Securities and accordingly is required to abstain from voting in respect of the resolution approving the Sale and Purchase Agreement and the Disposal at the EGM.

LETTER FROM THE BOARD

Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has a material interest in the Disposal and therefore no other Shareholder is required to abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

7. PROPOSAL FOR RE-ELECTION OF A RETIRING DIRECTOR

As set out in the announcement of the Company dated 2 July 2021, Dr. Lo was appointed as independent non-executive Director with effect from 2 July 2021.

Pursuant to article 86(3) of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. As such, Dr. Lo will retire from office at the EGM and, being eligible, offer himself for re-election. Ordinary resolution set out in the notice of EGM will be proposed at the EGM for the proposed re-election of Dr. Lo as independent non-executive Director. The biographical details of Dr. Lo who is proposed to be re-elected at the EGM are set out in Appendix II to this circular.

8. EGM

The EGM will be convened and held for (i) the Independent Shareholders to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules; and (ii) the Shareholders to consider and, if thought fit, approve the re-election of Dr. Lo as independent non-executive Director.

A notice convening the EGM to be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong at 2:30 p.m. on Thursday, 12 August 2021 is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering and, if thought fit, approving the ordinary resolutions set out therein.

The Company will publish an announcement on the results of the EGM with respect to whether or not the proposed resolutions have been passed as ordinary resolutions by the Independent Shareholders and Shareholders.

A form of proxy for use 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 thereon and deposit the same at the branch share registrar of the Company, 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 less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (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 thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

To determine the entitlement of the members of the Company to attend and vote at the EGM to be held on Thursday, 12 August 2021, the register of members of the Company will be closed from Monday, 9 August 2021 to Thursday, 12 August 2021, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 6 August 2021.

LETTER FROM THE BOARD

9. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, as well as the principal factors and reasons considered by it in arriving thereat. The text of such letter is set out on pages IFA-1 to IFA-16 of this circular.

The Board (including the members of the Independent Board Committee after taking into account of the advice of the Independent Financial Adviser) considers that (i) the proposal for re-election of retiring Director and (ii) the terms of the Sale and Purchase Agreement, which have been reached after arm's length negotiations among the parties thereto, are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. Accordingly, the Board (including the members of the Independent Board Committee after taking into account of the advice of the Independent Financial Adviser) recommends (i) the Independent Shareholders to vote in favour of the ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder and (ii) the Shareholders to vote in favour of the resolution approving the re-election of Dr. Lo as the independent non-executive Director at the EGM. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution relating to the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM.

10. GENERAL

As completion of the Disposal is conditional upon fulfilment of the conditions precedent set out in the Sale and Purchase Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

11. ADDITIONAL INFORMATION

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

By order of the board of directors of
OCI International Holdings Limited
Jiao Shuge
Non-executive Director (Chairman)

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



OCI International Holdings Limited

東建國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 329)

23 July 2021

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSAL OF INTEREST IN A SUB-FUND
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular issued by the Company dated 23 July 2021 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to provide recommendations to the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, and to advise the Independent Shareholders on how to vote after taking into account the advice of the Independent Financial Adviser.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise us in relation to the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in its letter on pages IFA-1 to IFA-16 of the Circular. Your attention is also drawn to the Letter from the Board set out on pages 4 to 14 of the Circular and additional information set out in the appendices to the Circular.

Having considered the advice of and recommendations from the Independent Financial Adviser as set out in its letter of advice, we consider that the entering into of the Sale and Purchase Agreement is in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement are normal commercial terms and fair and reasonable, and the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder is in the interest of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

Yours faithfully,

For and on behalf of the
Independent Board Committee

Mr. Chang Tat Joel

Mr. Tso Siu Lun Alan

Mr. Li Xindan

Dr. Lo Wing Yan William

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



23 July 2021

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF INTEREST IN A SUB-FUND

INTRODUCTION

We refer to our engagement as the independent financial adviser (the “**IFA**”) to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular issued by the Company to the Shareholders dated 23 July 2021 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 23 June 2021 (the “**Announcement**”) and the Letter from the Board that, on 23 June 2021, the Company entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Company’s entire right, title and interest in the Sale Shares in the Sub-Fund of SPC at the Consideration of no more than US\$8.0 million (equivalent to approximately HK\$62.4 million). Proceeds of the Disposal will be (a) used to repay the outstanding loan in the amount of US\$6.0 million (equivalent to approximately HK\$46.8 million), together with all accrued interest, owing from the Company to the Purchaser under a revolving loan facility granted by the Purchaser to the Company on 1 January 2018 pursuant to the Facility Agreement; and (b) used as working capital of the Company for its future operation.

Given the Purchaser is a wholly-owned subsidiary of Orient Securities Co., Ltd., which indirectly holds 20.94% of the issued share capital of the Company and is a substantial shareholder of the Company, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the amount of the Disposal exceeds 5%, the entering into of the Sale and Purchase Agreement by the Group is therefore subject to the reporting, announcement and Independent Shareholders’ approval under Chapter 14A of the Listing Rules.

In addition, given one or more of the applicable percentage ratio(s) as set out in the Listing Rules in respect of the amount of the Disposal exceeds 5% but less than 25%, the entering into of the Sale and Purchase Agreement by the Group also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from Shareholders’ approval under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chang Tat Joel, Mr. Tso Siu Lun Alan, Mr. Li Xindan and Dr. Lo Wing Yan William, has been formed to advise the Independent Shareholders on (i) whether the terms of the Disposal is fair and reasonable; (ii) whether the Disposal is on normal commercial terms, conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Disposal at the EGM. In our capacity as the IFA, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

The EGM will be convened on 12 August 2021. Since the Purchaser is a wholly-owned subsidiary of Orient Securities Co., Ltd., Orient Securities Co., Ltd. and its associates are required to abstain from voting in respect of the resolution approving the Sale and Purchase Agreement and the Disposal at the EGM. As at the Latest Practicable Date, Golden Power Group Limited holds 314,000,000 Shares, representing approximately 20.94% of the issued share capital of the Company. As Golden Power Group Limited is a wholly-owned subsidiary of Orient Securities Co., Ltd. and accordingly is required to abstain from voting in respect of the resolution approving the Sale and Purchase Agreement and the Disposal at the EGM. Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has a material interest in the Disposal and therefore no other Shareholder is required to abstain from voting on the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

We have not been connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal. In the two years immediately prior to this letter, we have not acted as an independent financial adviser to the Company. Apart from normal professional fees paid or payable to us in connection with the current appointment as the IFA, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are eligible to give independent advice in respect of the Disposal.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management (the "**Management**") of the Company. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The 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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the IFA, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have reviewed sufficient information to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors or the Management, nor have we conducted an independent in-depth investigation into the business and affairs of the Group, the Purchaser, their respective subsidiaries or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Innovax Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Disposal, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the Disposal, we have taken into consideration the principal factors and reasons as set out below.

1. Background information of the Group

The Company is an investment holding company and its subsidiaries are engaged in securities trading and investments, provision of asset management services including portfolio management and investment advice to qualified corporate and individual professional investors, provision of financial advisory services in the PRC and trading of wines.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 as extracted from the Group's annual reports for the years ended 31 December 2019 and 2020 dated 15 April 2020 (the "Annual Report 2019") and 21 April 2021 (the "Annual Report 2020"), respectively.

	For the year ended 31 December		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	124,614	101,521	126,834
– Asset management	51,907	35,195	66,751
– Securities trading and investments	45,562	59,144	50,486
– Investment and financial advisory services	–	312	1,128
– Trading of wines	27,145	6,870	8,469
Segment (loss)/profit	(19,688)	(45,283)	25,975
– Asset management	8,770	27,036	5,583
– Securities trading and investments	(27,275)	(69,730)	23,344
– Investment and financial advisory services	(693)	–	–
– Trading of wines	(490)	(2,589)	(2,952)
Loss before taxation	(60,413)	(93,024)	(18,366)
Loss for the year	(60,832)	(97,428)	(19,599)

Year ended 31 December 2020 compared to year ended 31 December 2019

As depicted from the above table, the Group's revenue amounted to approximately HK\$126.8 million for the year ended 31 December 2020 ("FY2020"), representing an increase of approximately 24.9% as compared to that for the year ended 31 December 2019 ("FY2019") of approximately HK\$101.5 million. As disclosed in the Annual Report 2020, such increase in the Group's revenue was mainly due to the increase in revenue from asset management operation as the assets under management managed by the Group increased by approximately US\$88.0 million or 11.2% from approximately US\$736.0 million as at 31 December 2019 to approximately US\$824.0 million as at 31 December 2020. The Group's net loss for FY2020 amounted to approximately HK\$19.6 million, representing an improvement of approximately 79.9% as compared to that for FY2019 of approximately HK\$97.4 million. With reference to the Annual Report 2020, such improvement was mainly due to the amount accounted for impairment losses on financial assets decreased substantially by approximately HK\$99.9 million or 85.5% from approximately HK\$116.9 million for FY2019 to approximately HK\$17.0 million for FY2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Year ended 31 December 2019 compared to year ended 31 December 2018

The Group's revenue amounted to approximately HK\$101.5 million for FY2019, representing a decrease of approximately 18.5% as compared to that for the year ended 31 December 2018 ("FY2018") of approximately HK\$124.6 million. With reference to the Annual Report 2019, the decrease in revenue was mainly due to decrease in sales of wine trading of approximately HK\$20.2 million and decrease in revenue from asset management services of approximately HK\$16.7 million. The Group's net loss for FY2019 amounted to approximately HK\$97.4 million, representing an increase of approximately 60.2% as compared to that for FY2018 of approximately HK\$60.8 million, such increase in net loss for the year was mainly due to the impairment losses in relation to the fixed income investment in the senior secured guaranteed notes issued by Rundong Fortune Investment Limited and Sanpower (Hong Kong) Company Limited amounting to approximately HK\$91.4 million and HK\$25.8 million, respectively.

2. Background information of the Purchaser

Orient Finance is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Orient Securities Co., Ltd, which indirectly holds 20.94% of the issued share capital of the Company and is a substantial shareholder of the Company and thus, Orient Finance constitutes as a connected person of the Company under the Listing Rules. It principally engages in investment holdings and operation of securities brokerage business, futures brokerage business, asset management business, investment banking and margin financing business as regulated by the Hong Kong Securities and Futures Commission pursuant to SFO through establishment of various subsidiaries and licensed sub-subsidiaries.

According to the Letter from the Board, the Company had entered into the Facility Agreement with Orient Finance as lender for a revolving loan facility of up to US\$100 million on 2 January 2018 on normal commercial terms. The relevant facility was obtained to provide funding for working capital needs and continuing operation. Pursuant to the Facility Agreement, the interest rate for the revolving loan facility is at 8.0% per annum as at the Latest Practicable Date.

3. Reasons for and benefits of the Disposal

As mentioned in the Letter from the Board, the Board considers that the entering into of the Sale and Purchase Agreement would allow the Group to repay the outstanding debts without putting strain on the Company's liquidity and to further reduce the Company's interest expenses and gearing ratio and considering that the Sale Shares have been entitled to a fixed return of 4% per annum, which is substantially lower than the interest rate of the loans extended to the Company by Orient Finance, the Directors considered that it is financially favourable to transfer the Sales Shares to Orient Finance. In view of such reasons, we have taken into account the following factors in assessing the reasonableness of the entering into of the Sale and Purchase Agreement by the Group:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) *Tight liquidity position and the need to meet loan repayment obligations*

The following summarises the key information in respect of the Company's liquidity position and outstanding borrowings as at 31 December 2018, 2019 and 2020 and the loss for the years ended 31 December 2018, 2019 and 2020:

	As at 31 December/For the year ended 31 December		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents	185,058	80,767	88,475
Borrowings	352,657	542,775	341,060
Net cash balance (<i>Note</i>)	(167,599)	(462,008)	(252,585)
Loss for the year	(60,832)	(97,428)	(19,599)

Note: The net cash balance is calculated by deducting the borrowings from the cash and cash equivalents as at the respective year ends.

As illustrated above, the Company has a tight liquidity position as reflected by the negative net cash balances of approximately HK\$167.6 million, HK\$462.0 million and HK\$252.6 million as at 31 December 2018, 2019 and 2020 attributable to low balances of cash and cash equivalents of approximately HK\$185.1 million, HK\$80.8 million and HK\$88.5 million as at 31 December 2018, 2019 and 2020 relative to its borrowings of approximately HK\$352.7 million, HK\$542.8 million and HK\$341.1 million as at 31 December 2018, 2019 and 2020, respectively. In addition, the Company recorded losses of approximately HK\$60.8 million, HK\$97.4 million and HK\$19.6 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Other than a tight liquidity position, the Company has a need to meet its loan repayment obligations in relation to the loan owed to the Purchaser. Pursuant to the Facility Agreement, the Company as borrower shall repay its loan in full on the maturity date and the Company may only request for two extensions of the maturity date. According to the supplement agreements of the Facility Agreement, subsequent to granting of the revolving loan facility on 1 January 2018, the Company had already requested for an extension of the maturity date twice and the interest rate of the loan extended to the Company by the Purchaser had been increased from 3.5% to 5.15% and further to 8.0% per annum pursuant to the supplemental agreements.

The Directors are of the view that repaying the outstanding loan to the Purchaser in the amount of US\$6.0 million (equivalent to approximately HK\$46.8 million) with the Company's cash would further squeeze the already tight liquidity position of the Company. Deploying the proceeds of the Disposal to repay such outstanding loan to the Purchaser can fully discharge the loan repayment obligations of the Company under the Facility Agreement without straining its liquidity position. In addition, the remaining balance of no more than US\$2.0 million (equivalent to no more than HK\$15.6 million) after deducting the US\$6.0 million outstanding loan amount can further improve the Group's liquidity position, enabling the Group to capture any future investment opportunities available in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the Company's relatively low cash and cash equivalent balance; (ii) the Company's significant borrowings; and (iii) the Company's need to meet its loan repayment obligations, we agree that repaying the outstanding loan by using part of the proceeds from the Disposal would improve the liquidity position of the Company.

(b) Reduce gearing ratio and interest expenses of the Company

The following table summarises the gearing ratio of the Company as at 31 December 2018, 2019 and 2020:

	As at 31 December		
	2018	2019	2020
Gearing ratio (<i>Note</i>)	132.0%	289.3%	86.9%

Note: The gearing ratio is calculated by dividing total borrowings (including borrowings, obligations under Repo and lease liabilities) by the shareholders' equity of the Company.

As illustrated in the above table, the Company's gearing amounted to approximately 132.0%, 289.3% and 86.9% as at 31 December 2018, 2019 and 2020, respectively. For illustrative purpose, based on the figures as disclosed in the Annual Report 2020 and assuming that the proceeds of the Disposal has been used to repay the outstanding loan in the amount of US\$6.0 million (equivalent to approximately HK\$46.8 million), the gearing ratio as at 31 December 2020 would be further reduced to approximately 77.4%.

In addition, the following table summarises the Company's finance costs as a percentage of revenue for the years ended 31 December 2018, 2019 and 2020:

	For the year ended 31 December		
	2018	2019	2020
Revenue (<i>HK\$'000</i>)	124,614	101,521	126,834
Finance costs (<i>HK\$'000</i>)	22,579	31,127	29,278
Finance costs as a percentage of revenue	18.1%	30.7%	23.1%

As the Company has significant borrowings, the Company's finance costs as a percentage of revenue amounted to approximately 18.1%, 30.7% and 23.1% for the years ended 31 December 2018, 2019 and 2020, respectively. For illustrative purpose, based on the figures as disclosed in the Annual Report 2020 and assuming that the proceeds of the Disposal has been used to repay the outstanding loan in the amount of US\$6.0 million (equivalent to approximately HK\$46.8 million), the Company's finance costs as a percentage of revenue would reduce to approximately 20.1% for the year ended 31 December 2020. The Directors are of the view that it is of significant importance to decrease the Company's financial leverage to reduce its financial risk.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the outstanding loan in the amount of US\$6.0 million (equivalent to HK\$46.8 million) is yet to be repaid by the Company to the Purchaser. Pursuant to the Facility Agreement, the interest rate of the loan extended to the Company by the Purchaser is set at 8.0% per annum. Therefore, by repaying such outstanding loan amount with the proceeds of the Disposal, the Company would be able to save an interest expense of approximately HK\$3.7 million per annum. The Directors are of the view that the lowering of interest expenses can enhance the profitability of the Company.

Having considered the above, we concur that the Disposal would be able to improve the Company's gearing ratio and reduce its interest expenses.

(c) Return on investment of the Sub-Fund and economic outlook

As mentioned in the Letter from the Board, the Sale Shares have been entitled to a fixed return of 4% per annum and the Directors are of the view that the return on investment of the Sub-Fund is low in view of the following:

- (i) According to the statements of the Sub-Fund issued by the SPC, the historical price movement of the Sub-Fund has been relatively stable at CAGR of approximately 2.8% since the Sub-Fund's inception and the recent performance of the Sub-Fund has been sluggish as the year-to-date net asset value of the Sub-Fund has decreased by approximately 1.1% from 1 January 2021 to 31 May 2021;
- (ii) The historical price movement of the Sub-Fund has underperformed the S&P China Corporate Bond Index, which is an index designed to track the performance of corporate bonds from China and had CAGR of approximately 3.8% from 2018 to 2021; and
- (iii) The entitled fixed return of 4% per annum of the Sub-Fund is substantially lower than the 8.0% interest rate of the loans extended to the Company by the Purchaser.

In view of the historical performance of the Sub-Fund and the economic outlook, the Directors are of the view that the net asset value of the Sub-Fund will likely remain stable or slightly decrease towards the end of the investment term of the Sub-Fund (i.e. 2 June 2022) (the "Expiry") and therefore the Directors consider that it is an appropriate time to dispose the Sale Shares. The Directors' view is mainly attributable to the following:

- (i) The US Federal Funds Rate was reduced from target range 1.00% – 1.25% to 0.00% – 0.25% since March 2020 and it is unlikely that the US Federal Reserve can further reduce the US Federal Funds Rate;
- (ii) With a higher rate of inflation and a gradual economic recovery since the outbreak of COVID-19, officials from the Federal Reserve have been expecting earlier and faster interest rate rises and CEOs from investment banks and economists have commented that interest rate hike may be expected in 2022, which is likely to put downward pressure on the net asset value of the Sub-Fund; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) Majority of the bonds in the Sub-Fund have a relatively short time to maturity within three years. Assuming that these bonds will not default unexpectedly and the bonds will return to their par value at maturity, it is likely that the price movements of the bonds, and hence the net asset value of the Sub-Fund, will remain relatively stable.

Having considered (i) the low investment return of the Sub-Fund; and (ii) the Directors' view that the net asset value of the Sub-Fund will likely remain stable or slightly decrease towards the Expiry, we concur with the view of the Directors that it is an appropriate time to dispose the Sales Shares.

(d) Opportunity to partially realise investment in the Sub-Fund

Pursuant to the subscription agreement of the Sub-Fund, the Sub-Fund is closed-ended in nature and does not offer shareholders the right to redeem their shares and that shares are transferable by instrument of transfer in any usual or common form in the Cayman Islands, or in any other form approved by the directors of the Sub-Fund signed by (or, in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor and the transferee and registered in the register of members of the Sub-Fund.

Since the Company is not able to redeem its shares in the Sub-Fund, the Directors are of the view that the Disposal offers an opportunity to partially realise the Company's investment in the Sub-Fund and would not need to hold the Sale Shares until the Expiry. In addition, the Directors consider that the Disposal to the Purchaser, who is a connected person of the Company, represents a simple, expedient and cost-effective approach to realise the Company's investment in the Sub-Fund, as additional time and costs may be required to identify other potential independent purchasers such as possible agency fees, legal fees and due diligence review as requested by such purchasers.

Having considered the above, we agree with the Directors' view that the Disposal represents a cost-effective approach to realise part of the Company's investment in the Sub-Fund.

Taking into account that (i) the Company has a tight liquidity position and need to meet its loan repayment obligations; (ii) the Disposal can reduce the Company's gearing ratio and interest expenses; (iii) the Directors consider that it is an appropriate time to dispose the Sale Shares; and (iv) the Disposal represents an opportunity to realise part of the Company's investment in the Sub-Fund, we concur with the Directors' view that the Disposal is conducted in the ordinary and usual course of business of the Group, fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Disposal

Date

23 June 2021 (after trading hours)

Parties

Purchaser: Orient Finance Holdings (Hong Kong) Limited

Vendor: the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Purchaser is a wholly-owned subsidiary of Orient Securities Co., Ltd., which indirectly holds 20.94% of the issued share capital of the Company and is a substantial shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Letter from the Board, the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Company's entire right, title and interest in the Sale Shares free from and clear of any and all claims, pledges, liens or other encumbrances whatsoever, together with all the liabilities and obligations of the Company as a holder of the Sale Shares under the Placement Memorandum and the Supplement, with effect on and from the Completion. The Sale Shares are 7,900 Class B Shares in the Sub-Fund of the SPC, subject to adjustment pursuant to the terms of the Sale and Purchase Agreement.

Consideration

Pursuant to the Letter from the Board, the Consideration shall be the net asset value of the Sale Shares determined by the Administrator, which is valued as at the Reference Date. The Consideration is determined after arm's length negotiations between the Company and the Purchaser with reference to, among other things, the volatility of price of the Sub-Fund and the fact that the Sub-Fund is not a fund traded in open market with readily-available market bid price, and hence the fairness of a net asset value by the Administrator.

Upon the fulfilment of conditions precedent as detailed in the Letter from the Board, the Company and the Purchaser shall deliver a valuation request by way of e-mail to the Administrator and/or the transfer agent. The Administrator will set the date on which the valuation request is received as Reference Date for valuing the net asset value of the Sale Shares. The Administrator will notify the Company and the Purchaser the net asset value of the Sale Shares on or before the seventh (7th) day after the Reference Date.

The Company and the Purchaser agreed that the Consideration shall be capped at and shall not exceed US\$8.0 million (equivalent to approximately HK\$62.4 million).

Subject to adjustment, in the event that the net asset value of the Sale Shares at Reference Date as provided by the Administrator is not less than US\$6.0 million (equivalent to approximately HK\$46.8 million), Condition (e) as detailed in the Letter from the Board is deemed to be fulfilled and the Purchaser shall (i) purchase from the Company all the Sale Shares at the net asset value and (ii) settle the Consideration in the manner provided below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the net asset value of the Sale Shares at Reference Date as provided by the Administrator exceeds US\$8.0 million, the number of Sale Shares to be purchased by the Purchaser shall be reduced by the following formula and rounded down to the nearest whole share, to the effect that the total Consideration shall not exceed US\$8.0 million:

$$A = 7,900 - \frac{(7,900 \times P - US\$8,000,000)}{P}$$

WHERE:

P is the net asset value of each Sale Share at the Reference Date as provided by the Administrator;

A is the number of Sale Shares to be purchased by the Purchaser after adjustment if the net asset value of the Sale Shares is more than US\$8.0 million.

The Consideration shall be payable by the Purchaser on the ninth (9th) day after the Reference Date (the “**Settlement Date**”) and shall be satisfied in the manner provided below:

- (a) the setting off of the outstanding loan in the amount of US\$6.0 million (equivalent to approximately HK\$46.8 million), together with all accrued interest, owing from the Company to Orient Finance pursuant to the Facility Agreement (the “**Repayment Amount**”); and
- (b) the payment of the amount which is equal to the balance remaining after deducting the Repayment Amount from the Consideration on the Settlement Date, which will be used as working capital of the Company for its future operation.

Save for the expenses in connection with the transfer of shares, such commission and brokerage, stamp duty and legal fee which shall be borne by the Company, the Company and the Purchaser shall bear their respective legal costs and expenses incurred in the negotiation, preparation and execution and performance of the Sale and Purchase Agreement.

In assessing the basis of determining the Consideration:

- (i) we reviewed the Sale and Purchase Agreement and understood that the consideration for the sale and purchase of the Sale Shares shall be the net asset value of the Sale Shares determined by the Administrator;
- (ii) we reviewed the private placement memorandum issued by the SPC and understood the valuation mechanism of the net asset value of the debt securities in the Sub-Fund as at the valuation dates. Pursuant to the private placement memorandum, the net asset value for any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon will be valued at its last traded price as at the valuation point or, if no trades occurred on such day, at the closing bid price if held long and at the closing offer price if sold short, on the relevant valuation day; and

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- (iii) to assess whether the net asset values provided by the SPC is fair and reasonable, we obtained all monthly statements of the Sub-Fund issued by the SPC detailing the prices of the debt securities in the Sub-Fund, selected 10 debt securities out of the 35 debt securities in the Sub-Fund each month and compared their respective prices listed on the monthly statements with the last prices quoted on the Bloomberg Terminal. We noted that there are no material differences in the prices provided by the SPC and the last prices quoted on the Bloomberg Terminal for the selected samples as at the respective month end dates.

We are of the view that the Consideration is determined based on normal commercial terms, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In assessing the fairness and reasonableness of the settlement term of the Disposal:

- (i) we reviewed the Sale and Purchase Agreement and understood that the net asset value is determined by the Administrator, which is valued as at the date on which a valuation request of the Sale Shares is made by the Company and Purchaser to the Administrator by email, and the Administrator shall notify the Company and the Purchaser the net asset value of the Sale Shares, being the amount of the Consideration, on or before the seventh (7th) day after the Reference Date and the Consideration shall be payable by the Purchaser on the ninth (9th) day after the Reference Date;
- (ii) we understood from the responsible personnel of the Manager (a) the procedures of transferring shares in the Sub-Fund; and (b) the time required for the valuation of shares of the Sub-Fund;
- (iii) we compared the settlement process of other securities in Hong Kong and according to the Stock Exchange, stock and money positions of exchange trades and clearing agency transactions are required to be settled on T+2 day, which is comparable to the settlement term of the Disposal which will also be 2 days after the net asset value of the Sub-Fund is determined;
- (iv) we reviewed the monthly statements provided by the SPC and the relevant email correspondence between the Company and the Manager and noted that the monthly statements were usually available at least 10 days after the month end, which is longer than the number of days required for the determination of the net asset value and settlement of the Sale Shares in relation to the Disposal; and
- (v) we reviewed the private placement memorandum issued by the SPC and understood that the Sub-Fund does not offer shareholders the right to redeem their shares but transfer is feasible. Shares of the Sub-Fund are transferable by instrument of transfer in any usual or common form in the Cayman Islands, or in any other form approved by the directors of the Sub-Fund signed by (or, in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor and the transferee and registered in the register of members of the Sub-Fund.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are of the view that the settlement term of the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Post-completion guarantee

In the event that the SPC redeems the participating shares held by the Purchaser at the Expiry, the sum of entitlement of the Purchaser as the holder of the Sale Shares comprising the aggregate of all the returns, distributions, income, and other payments received or accrued on the Sale Shares since Completion plus the redemption proceeds paid or payable to the Purchaser is less than the Consideration paid by the Purchaser, the Company shall pay to the Purchaser such shortfall within five business days upon receipt of written notice from the Purchaser.

Based on the abovementioned factors as set out in “Return on investment of the Sub-Fund and economic outlook”, the Directors are of the view that the net asset value of the Sub-Fund will likely remain stable or slightly decrease towards the Expiry. With such a view, the Directors consider that the Disposal would be beneficial to the Company despite the post-completion guarantee mainly attributable to the following:

- (i) the Company would benefit from net interest savings of approximately HK\$2.0 million per annum assuming the Company will have (a) an interest savings of approximately HK\$3.7 million per annum from the repayment of the revolving loan facility with Orient Finance; and (b) interest savings of approximately HK\$0.7 million per annum from the proceeds payable to the Company (based on US\$2 million and an interest rate of L+4.5%); partly offset by (c) forgone dividend from the Sale Shares of approximately HK\$2.5 million per annum;
- (ii) in the case where the net asset value of the Sale Shares will decrease after the Completion and the SPC redeems the participating shares at the Expiry, whether (a) the Sale Shares will be held until the Expiry or (b) the Sale Shares will be disposed and the post-completion guarantee will be triggered, the Company will bear the same unrealised fair value loss between the net asset value of the Sale Shares at the Expiry and the net asset value of the Sale Shares upon Completion; and
- (iii) in the unlikely event that the net asset value of the Sale Shares will increase after the Completion, the Company would have forgone unrealised fair value gain between the net asset value of the Sale Shares at the Expiry and the net asset value of the Sale Shares upon Completion. For illustrative purpose only, assuming that (i) the net asset value at Completion will be US\$1,057.3 per share (equivalent to approximately HK\$8,246.9 per share), being the net asset value per share of the Sub-Fund as at 31 May 2021; (ii) a total of 7,900 shares will be purchased by the Purchaser; and (iii) the Company would have net interest savings of approximately HK\$2.0 million until the Expiry, the Company would still be better off if the net asset value of the Sale Shares would increase by no more than approximately 3.1% after the Completion. Despite such potential cost, which the Directors believe the probability of such event is low, the Directors are of the view that the other benefits as detailed in “Reasons for and benefits of the Disposal” above would outweigh such potential cost.

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In assessing the reasonableness of the Directors' view that the net asset value of the Sub-Fund will likely remain stable or slightly decrease towards the Expiry:

- (i) we reviewed the historical price movement of the Sub-Fund and noted that it has been relatively stable at CAGR of approximately 2.8% since the Sub-Fund's inception and the recent performance of the Sub-Fund has been sluggish as the year-to-date net asset value of the Sub-Fund has decreased by approximately 1.1%;
- (ii) we compared the historical price movement of the Sub-Fund with the S&P China Corporate Bond Index, which is an index designed to track the performance of corporate bonds from China and had CAGR of approximately 3.8% from 2018 to 2021, and noted that the historical price movement of the Sub-Fund has underperformed the S&P China Corporate Bond Index;
- (iii) we checked that the US Federal Funds Rate is currently targeted at 0.00% – 0.25% and reviewed projections from the Federal Open Market Committee and relevant news articles that officials from the Federal Reserve have been expecting earlier and faster interest rate rises. According to a news article released by the Financial Times titled "*Fed signals first rate rise will come in 2023*"¹ dated 17 June 2021, the Federal Reserve has been signalling the market that an earlier interest rate rise is expected as it has raised its predictions from maintaining the current rate until 2024 to start raising interest rates in 2023. In addition, projections for the midpoint of US interest rates have been increasing not only for 2023 but also in 2022. Furthermore, with reference to a news article released by Bloomberg L.P titled "*Fed's Rosengren Says 2022 Rate Hike in Play as Job Market Heals*"² dated 26 June 2021, a news article released by CNBC LLC titled "*Fed's Jim Bullard sees first interest rate hike coming as soon as 2022*"³ dated 18 June 2021, and a news article released by CNBC LLC titled "*Fed's Kaplan said he expects an interest rate hike in 2022*"⁴ dated 23 March 2021, officials from the Federal Reserve, namely Eric Rosengren, President of the Federal Reserve Bank of Boston, James Bullard, President of the Federal Reserve Bank of St. Louis and Robert Kaplan, President of the Federal Reserve Bank of Dallas have all stated that an interest rate hike could come as soon as 2022;

¹ Politi.J. and Smith. C. (17 June 2021) Fed signals first rate rise will come in 2023. *Financial Times*.

² Matthews, S. and Torres, C. (26 June 2021) Fed's Rosengren Says 2022 Rate Hike in Play as Job Market Heals. *Bloomberg L.P.*
<https://www.bloomberg.com/news/articles/2021-06-25/fed-s-rosengren-says-2022-rate-hike-in-play-as-job-market-heals>

³ Cox, J. (18 June 2021) Fed's Jim Bullard sees first interest rate hike coming as soon as 2022. *CNBC LLC*.
<https://www.cnbc.com/2021/06/18/feds-jim-bullard-sees-first-interest-rate-hike-coming-as-soon-as-2022.html>

⁴ Cox, J. (23 March 2021) Fed's Kaplan said he expects an interest rate hike in 2022. *CNBC LLC*.
<https://www.cnbc.com/2021/03/23/feds-kaplan-said-he-expects-an-interest-rate-hike-in-2022.html>

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- (iv) we reviewed new articles interviewing CEOs from investment banks who commented that interest rate hike may be expected in 2022 mainly attributable to higher expected inflation rate and economic recovery. In particular, according to a news article released from Reuters titled “*JPMorgan stockpiling cash, waiting for interest rates to rise – CEO*”⁵ dated 15 June 2021, Jamie Dimon, the Chief Executive from JPMorgan Chase & Co, stated that “*he expects rising inflation to result in higher interest rates over the next 9 months*” and that JPMorgan Chase & Co has been “*holding around \$500 billion in cash*” and “*waiting for opportunities to invest at higher rates*”. Similarly, as mentioned in another news article released from Bloomberg L.P titled “*Morgan Stanley CEO Sees Fed Hiking Before His Economists Predict*”⁶ dated 25 May 2021, James Gorman, the Chief Executive Officer from Morgan Stanley, said that “*he expects the U.S. Federal Reserve to begin tapering its bond buying toward the end of this year and start raising interest rates in early 2022*” and his view is that “*rates are likely to rise in the early part of next year, and not in 2023 which is currently the projection*”; and
- (v) we checked the maturity dates of the debt securities in the Sub-Fund and noted that majority of these debt securities have a relatively short time to maturity within three years. Assuming that these bonds will not default unexpectedly and the bonds will return to their par value at maturity, we agree that the price movements of the bonds, and hence the net asset value of the Sub-Fund, will remain relatively stable.

Considering the abovementioned factors, we are of the view that the post-completion guarantee is reasonable and in the interests of the Company and the Shareholders as a whole.

5. Financial effect of the Disposal

The financial impact of the Disposal on the Group’s earnings, net assets and liquidity and gearing are set out below:

(a) Earnings

Upon completion of the Disposal, it is expected that the Group will record fair value change of the Sale Shares in profit or loss and/or reserve, which represents the difference between the Consideration and the carrying amount of the Sale Shares as at 31 December 2020. For illustration purpose only, assuming (i) Completion is to take place in respect of all the Sale Shares and the determination of the Consideration is based on the net asset value of the Sale Shares determined by the Administrator and (ii) the prevailing net asset value is determined based on the valuation of US1,057.3 per share (equivalent to approximately HK\$8,246.9 per share) as at 31 May 2021, it is expected that an estimated loss of approximately US\$90,068 (equivalent to approximately HK\$0.7 million) in aggregate will be recorded as fair value change of the Sale Shares in profit or loss and/or reserve upon the Completion, subject to audit. The actual gain or loss on completion of the Disposal might be different given that the above estimate is based on the net asset value of the Sale Shares as at 31 May 2021 which might be different from those on the Reference Date.

⁵ Marshall, E. (15 June 2021) JPMorgan stockpiling cash, waiting for interest rates to rise – CEO. *Reuters*.
<https://www.reuters.com/business/finance/jpmorgan-stockpiling-cash-waiting-interest-rates-rise-ceo-2021-06-14/>

⁶ Uranaka, T. (25 May 2021) Morgan Stanley CEO Sees Fed Hiking Before His Economists Predict. *Bloomberg L.P.*
<https://www.bloomberg.com/news/articles/2021-05-25/morgan-stanley-s-gorman-sees-fed-raising-rates-early-in-2022>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Net assets and liquidity

Following the completion of the Disposal, it is expected that the Sale Shares with a valuation of no more than US\$8.0 million (equivalent to approximately HK\$62.4 million) will be transferred to the Purchaser. Part of the proceeds of the Disposal will be used to repay the outstanding loan in the amount of US\$6.0 million (equivalent to approximately HK\$46.8 million) and the remaining balance of no more than US\$2.0 million (equivalent to no more than approximately HK\$15.6 million) will be paid by the Purchaser on the Settlement Date and is expected to be used as working capital of the Group. As a result of the foregoing, it is expected that there will be no material impact on the net assets of the Group and the liquidity of the Group is expected to improve as a net cash inflow of no more than US\$2.0 million (equivalent to no more than approximately HK\$15.6 million) is expected to be received by the Group from the Purchaser.

(c) Gearing

After repayment of the outstanding loan in the amount of US\$6.0 million (equivalent to approximately HK\$46.8 million), the gearing ratio of the Group is expected to decrease. For illustrative purpose, based on the figures as disclosed in the Annual Report 2020 and assuming that the proceeds of the Disposal has been used to repay the outstanding loan in the amount of US\$6.0 million (equivalent to approximately HK\$46.8 million), the gearing ratio as at 31 December 2020 would be further reduced to approximately 77.4%.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position and performance of the Group will be after the Disposal.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the Disposal are fair and reasonable; (ii) the Disposal in on normal commercial terms, conducted in the ordinary and usual course of the business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Disposal, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Innovax Capital Limited
Ip Mun Lam
Executive Director

Mr. Ip Mun Lam is a licensed person under the SFO to carry out type 6 (advising on corporate finance) regulated activity and regarded as responsible officer of Innovax Capital Limited. Mr. Ip Mun Lam has around 10 years of experience in corporate finance industry.

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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive 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 are required (a) 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 in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares (including underlying Shares)

Name of Director	Capacity	Number of issued ordinary shares held	Approximate % of the Company's Shares in issue ^(Note)
Mr. Wu Guangze	Beneficial owner	16,000,000	1.07%

Note: The percentage of shareholding was calculated based on the Company's total number of issued Shares as at the Latest Practicable Date

The interests stated above represent long position. Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, Mr. Feng Hai, the executive Director of the Company, is employee of Shanghai Orient Securities Capital Investment Co., Ltd which has an interest, being a long position, in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any other interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Shares (including underlying Shares)

Name of Shareholder	Capacity	Number of Issued ordinary shares held	Approximate % of Company's Shares in issue (Note 1)
JZ Investment Fund L.P.	Beneficial owner (Note 2)	440,000,000	29.34%
JZ International Ltd.	Interest of a controlled corporation (Note 2)	440,000,000	29.34%
Golden Power Group Limited	Beneficial owner (Note 3)	314,000,000	20.94%
Orient Ruixin Limited	Interest of a controlled corporation (Note 3)	314,000,000	20.94%
Orient Ruiyi (Shanghai) Investment Management Co., Limited	Interest of a controlled corporation (Note 3)	314,000,000	20.94%
Shanghai Orient Securities Capital Investment Co., Ltd.	Interest of a controlled corporation (Note 3)	314,000,000	20.94%
Orient Securities Co., Ltd. [#] (東方證券股份有限公司)	Interest of a controlled corporation (Note 3)	314,000,000	20.94%
Cheer Hope Holdings Limited	Beneficial owner (Note 4)	210,860,000	14.06%
CCBI Investments Limited	Interest of a controlled corporation (Note 4)	210,860,000	14.06%
CCB International (Holdings) Limited	Interest of a controlled corporation (Note 4)	210,860,000	14.06%
CCB Financial Holdings Limited	Interest of a controlled corporation (Note 4)	210,860,000	14.06%
CCB International Group Holdings Limited	Interest of a controlled corporation (Note 4)	210,860,000	14.06%
China Construction Bank Corporation	Interest of a controlled corporation (Note 4)	210,860,000	14.06%
Central Huijin Investment Ltd.	Interest of a controlled corporation (Note 4)	210,860,000	14.06%

Notes:

- (1) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at the Latest Practicable Date.
- (2) The 440,000,000 shares representing approximately 29.34% of the Company's Shares in issue are held by JZ Investment Fund L.P.. JZ Investment Fund L.P. is an exempted limited partnership governed by the board of its general partner, JZ International Ltd.
- (3) The 314,000,000 shares representing approximately 20.94% of the Company's Shares in issue are held by Golden Power Group Limited. Golden Power Group Limited is wholly-owned by Orient Ruixin Limited. The sole shareholder of Orient Ruixin Limited is Orient Ruiyi (Shanghai) Investment Management Co., Limited, which is in turn wholly-owned by Shanghai Orient Securities Capital Investment Co., Ltd., a wholly-owned subsidiary of Orient Securities Co., Ltd. (東方證券股份有限公司). Therefore, Orient Securities Co., Ltd. (東方證券股份有限公司), Shanghai Orient Securities Capital Investment Co., Ltd., Orient Ruiyi (Shanghai) Investment Management Co., Limited and Orient Ruixin Limited are deemed to be interested in the number of shares held by Golden Power Group Limited pursuant to Part XV of the SFO.
- (4) The 210,860,000 shares representing approximately 14.06% of the Company's Shares in issue are held by Cheer Hope Holdings Limited. Cheer Hope Holdings Limited is wholly-owned by CCBI Investments Limited. The sole shareholder of CCBI Investments Limited is CCB International (Holdings) Limited, which is in turn wholly-owned by CCB Financial Holdings Limited, a wholly-owned subsidiary of CCB International Group Holdings Limited. CCB International Group Holdings Limited is owned as to 100% of the equity interest by China Construction Bank Corporation, whose 57.11% equity interest is directly held by Central Hujin Investment Ltd. Therefore, Central Hujin Investment Ltd., China Construction Bank Corporation, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited are deemed to be interested in the shares held by Cheer Hope Holdings Limited pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or chief executive of the Company, no other person had registered an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save as disclosed in this circular,

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and
- (ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACT

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

7. 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 or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the expert who has given an opinion or advice contained in this circular:

Name	Qualifications
Innovax Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert above had given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the expert above did not have any shareholding in any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert above did not have any interest, either direct or indirect, in any assets which had been since 31 December 2020, being the date to which the latest audited consolidated accounts of the Company have been made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2020, being the date to which the latest audited consolidated accounts of the Company have been made up) or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2020, being the date to which the latest audited consolidated accounts of the Company have been made up).

9. MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.
- (b) The company secretary of the Company is Mr. Chu Kin Ming who is a fellow member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (c) The head office and principal place of business of the Company in Hong Kong is at Suite 811, Level 8, One Pacific Place, 88 Queensway, Hong Kong. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (d) The principal share registrar and transfer office of the Company in Cayman Islands is Suntera (Cayman) Limited whose address is situated at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited whose address is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday except public holidays) at the head office and principal place of business of the Company in Hong Kong at Suite 811, Level 8, One Pacific Place, 88 Queensway, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Sale and Purchase Agreement;
- (b) the letter from the Board, as set out on pages 4 to 14 of this circular;
- (c) the letter from the Independent Board Committee, as set out on page 15 of this circular;
- (d) the letter from the Independent Financial Advisor, as set out on pages IFA-1 to IFA-16 of this circular;
- (e) the written consent referred to in the section headed "Qualification and Consent of Experts" in this Appendix; and
- (f) this circular.

Set out below are details of Dr. Lo as at the Latest Practicable Date who has offered himself for re-election at the EGM.

Dr. Lo Wing Yan William, aged 60, Dr. Lo is an experienced executive in the TMT (technology, media and telecommunications) and the consumer sectors. He has held senior positions in the past in China Unicom, Hongkong Telecom, Citibank HK, I.T Limited and South China Media Group. Dr. Lo graduated from Cambridge University with a M.Phil. Degree in Pharmacology and a Ph.D. degree in Molecular Neuroscience in the 80's. He started his career in McKinsey & Company Inc. as a management consultant. Dr. Lo currently serves as an independent non-executive director of a number of public companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), including Dr. Lo is an independent non-executive director of Television Broadcasts Ltd (Stock code: 511), CSI Properties Limited (Stock code: 497), Jingrui Holdings Limited (Stock code: 1862), South Shore Holdings Limited (Stock code: 577) and Oshidori International Holdings Limited (Stock code: 622). Dr. Lo is also an independent non-executive director of Nam Tai Property Inc. (Stock code: BTP) which is listed on the New York Stock Exchange. Dr. Lo also served as an independent non-executive director for following companies, including SITC Int'l Holding Company Limited (Stock code: 1308) from September 2010 to October 2020, Brightoil Petroleum (Holdings) Limited (Stock code: 0933) from June 2019 to December 2020, Hsin Chong Group Holdings Ltd (Stock code: 0404) from June 2018 to September 2019, Ronshine China Holdings Limited (Stock code: 3301) from January 2016 to June 2019. Dr. Lo was the chairman in SMI Holdings Group Limited (Stock code: 0198) from January 2019 to April 2019. Dr. Lo is also the founding governor of the Charles K. Kao Foundation for Alzheimer's disease and the ISF Academy as well as the present chairman of Junior Achievement HK.

Dr. Lo has entered into a service agreement with the Company pursuant to which he has agreed to act as an independent non-executive Director for a term of 3 years and subject to retirement by rotation and re-election in accordance with the articles of association of the Company and the Listing Rules. Pursuant to the service agreement, Dr. Lo is entitled to an monthly director's fee of HK\$20,000, which was determined by the Board on recommendation of the remuneration committee of the Company with reference to his qualifications, experiences, duties and responsibilities with the Company and the prevailing market conditions; and discretionary bonus to be determined based on the performance of the Group and Dr. Lo's contribution to the Group.

Save as disclosed above, as at the Latest Practicable Date, Dr. Lo (i) does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company; (ii) has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years or other major appointments and professional qualifications; and (iii) does not have, and is not deemed to have, any interests in any shares, underlying shares or debentures of the Company and/or its associated corporation(s) within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters concerning the re-election of Dr. Lo that need to be brought to the attention of the Shareholders nor is there any information relating to Dr. Lo that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

NOTICE OF EGM



OCI International Holdings Limited

東建國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 329)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of OCI International Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) will be held at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 12 August 2021 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**
 - (i) the sale and purchase agreement dated 23 June 2021 entered into between the Company as the vendor and Orient Finance Holdings (Hong Kong) Limited (“**Orient Finance**”) as the purchaser (the “**Sale and Purchase Agreement**”, a copy of which has been tabled to the EGM marked “A” and initialed by the chairman of the EGM for the purpose of identification) in relation to the disposal of the 7,900 Class B Shares (subject to adjustment) in ICBC US Dollar Debt Fund SP of ICBC AMG China Fund I SPC by the Company to Orient Finance for a consideration of no more than US\$8,000,000 (equivalent to approximately HK\$62,400,000), together with the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified in all respects; and
 - (ii) any one director of the Company be and is hereby authorised to take such action and execute such documents (with any further amendments as any one director of the Company may approve) as he/she may consider appropriate and expedient in respect of the transactions contemplated under the Sale and Purchase Agreement for the purpose of implementation or giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder.”
2. “**THAT** Dr. Lo Wing Yan William be re-elected as an independent non-executive director of the Company.”

By order of the board of directors of
OCI International Holdings Limited
Jiao Shuge
Non-executive Director (Chairman)

Hong Kong, 23 July 2021

NOTICE OF EGM

Principal place of business in Hong Kong:

Suite 811
Level 8
One Pacific Place
88 Queensway
Admiralty
Hong Kong

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Notes:

- (a) The register of members of the Company will be closed from Monday, 9 August 2021 to Thursday, 12 August 2021, both days inclusive, for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period. Shareholders whose names appear on the register of members of the Company on Thursday, 12 August 2021 are entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch 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 Friday, 6 August 2021.
- (b) A form of proxy to be used for the EGM is enclosed.
- (c) Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
- (d) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
- (e) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarial certified copy thereof must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting, i.e. no later than 2:30 p.m. on Tuesday, 10 August 2021, or any adjournment thereof.
- (f) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instruction appointing the proxy shall be deemed to be revoked.

NOTICE OF EGM

- (g) Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the Directors are Mr. Jiao Shuge (Chairman), Mr. Wu Guangze (Chief Executive Officer), Mr. Feng Hai, Mr. Wei Bin, Ms. Zheng Xiaosu*, Mr. Chang Tat Joel**, Mr. Tso Siu Lun Alan**, Mr. Li Xindan** and Dr. Lo Wing Yan William**.*

* *Non-executive Directors*

** *Independent non-executive Directors*