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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

(HK\$'000)

	Six months ended 30 June		
	2021	2020	Change in %
Revenue	71,665	29,086	146.4%
Gross Profit	34,438	27,859	23.6%
Net profit (loss) from operations	12,437	(7,755)	260.4%
Net profit (loss) for the period	3,107	(23,899)	113.0%
Earnings before interest, tax, depreciation and amortization (EBITDA)	15,528	(4,639)	434.7%
Profit (loss) per share			
– basic (HK cents)	0.21	(2.28)	109.2%
Total Asset	813,489	708,946	14.7%
Net Asset	499,654	204,234	144.6%

Revenue increased by approximately 146.4% to HK\$71.67 million (30 June 2020: HK\$29.09 million), mainly due to the increase of asset management income and trading of wine and beverage for the Period Under Review.

The gross profit for the Period Under Review increased by 23.6% to HK\$34.44 million (30 June 2020: HK\$27.86 million) since a higher revenue was recorded for the asset management segment.

Profit from operations for the Period Under Review turned around from loss to profit of HK\$12.44 million (30 June 2020: Loss HK\$7.76 million), mainly due to the impairment losses on financial assets decreased substantially to HK\$1.81 million as compared to HK\$14.92 million for the corresponding period 2020 and the decrease in financial costs to HK\$6.66 million as compare to HK\$16.14 million for the corresponding period 2020. For the same token, loss for the Period Under Review turnaround from loss of HK\$23.90 million for the corresponding period 2020 to profit of HK\$3.11 million for the Period Under Review ended 30 Jun 2021, and the EBITDA also turnaround from loss to profit of HK\$15.53 million (30 June 2020: Loss HK\$4.64 million).

Profit per share (basic) attributable to owner of the company of HK0.21 cents was recorded for the Period Under Review as compared to a Loss per share of HK2.28 cents for the corresponding period 2020.

The board of directors (the “Board”) of OCI International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (“Period”) together with the comparative figures for the corresponding period in 2020 as follows:

**Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2021**

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	71,665	29,086
Cost of sales and services rendered		<u>(37,227)</u>	<u>(1,227)</u>
		34,438	27,859
Other income		99	746
Selling and distribution cost		(11)	(2)
General and administrative expenses		(20,282)	(21,434)
Impairment losses on financial assets		<u>(1,807)</u>	<u>(14,924)</u>
Profit/(loss) from operations		12,437	(7,755)
Finance costs	5	<u>(6,659)</u>	<u>(16,144)</u>
Profit/(loss) before taxation	6	5,778	(23,899)
Income tax	7	<u>(2,671)</u>	<u>–</u>
Profit/(loss) for the period		<u>3,107</u>	<u>(23,899)</u>
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>1,543</u>	<u>(1,020)</u>
Total comprehensive income/(expense) for the period		<u>4,650</u>	<u>(24,919)</u>

		Six months ended 30 June	
	Note	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		3,107	(24,123)
Non-controlling interests		<u>—</u>	<u>224</u>
		<u>3,107</u>	<u>(23,899)</u>
Total comprehensive income/ (expense) for the period attributable to:			
Equity shareholders of the Company		4,650	(25,143)
Non-controlling interests		<u>—</u>	<u>224</u>
		<u>4,650</u>	<u>(24,919)</u>
Earnings/(loss) per share			
	9		
Basic and diluted		<u>HK0.21 cents</u>	<u>HK(2.28) cents</u>

Unaudited Consolidated Statement of Financial Position
At 30 June 2021
(Expressed in Hong Kong dollars)

	Note	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	10	8,586	11,716
Debt investments at amortised cost	11	10,049	25,535
Rental deposits		2,116	2,116
		<u>20,751</u>	<u>39,367</u>
Current assets			
Inventories		9,094	5,646
Trade receivables	12	18,554	7,763
Deposits, prepayments and other receivables		18,330	26,025
Tax recoverable		–	872
Debt investments at amortised cost	11	44,372	110,793
Financial assets at fair value through profit or loss	13	309,344	428,146
Pledged bank deposits		156,452	249,535
Cash and cash equivalents		236,592	88,475
		<u>792,738</u>	<u>917,255</u>
Current liabilities			
Contract liabilities		486	12,675
Accruals and other payables		11,683	14,915
Obligations under repurchase agreements	14	–	77,525
Borrowings		287,005	341,060
Lease liabilities		6,173	5,807
Current taxation		5,793	3,993
		<u>311,140</u>	<u>455,975</u>
Net current assets		<u>481,598</u>	<u>461,280</u>
Total assets less current liabilities		502,349	500,647
Non-current liability			
Lease liabilities		2,695	5,643
NET ASSETS		<u>499,654</u>	<u>495,004</u>

	Note	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
CAPITAL AND RESERVES			
Share capital		14,998	14,998
Reserves		484,656	480,006
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Total equity attributable to equity shareholders of the Company		499,654	495,004
Non-controlling interests		—	—
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TOTAL EQUITY		499,654	495,004
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**Unaudited Consolidated Statement of Changes in Equity
for the six months ended 30 June 2021**

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Translation reserve	Other reserve	(Accumulated losses) retained earnings	Total	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2020 (audited)	10,598	217,190	(33)	–	2,108	229,863	(710)	229,153
(Loss)/profit for the period	–	–	–	–	(24,123)	(24,123)	224	(23,899)
Other comprehensive expense for the period	–	–	(1,020)	–	–	(1,020)	–	(1,020)
Total comprehensive (expense)/ income for the period	–	–	(1,020)	–	(24,123)	(25,143)	224	(24,919)
Balance at 30 June 2020 (unaudited)	10,598	217,190	(1,053)	–	(22,015)	204,720	(486)	204,234
Balance at 1 January 2021 (audited)	14,998	498,790	(417)	(919)	(17,448)	495,004	–	495,004
Profit for the period	–	–	–	–	3,107	3,107	–	3,107
Other comprehensive income for the period	–	–	1,543	–	–	1,543	–	1,543
Total comprehensive income for the period	–	–	1,543	–	3,107	4,650	–	4,650
Balance at 30 June 2021 (unaudited)	14,998	498,790	1,126	(919)	(14,341)	499,654	–	499,654

Notes to the interim financial results

1. GENERAL INFORMATION

OCI International Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in asset management, provision of investment and financial advisory services, securities trading and investments and trading of wines and beverage.

2. BASIS OF PREPARATION

The interim financial results set out in the announcement do not constitute the Group’s interim financial report for the six months end 30 June 2021 but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report has been reviewed by the Company’s audit committee.

The measurement basis used in the preparation of the unaudited interim financial report is the historical cost basis. The unaudited interim financial report is presented in Hong Kong dollars (“HK\$”) and all figures are rounded to the nearest thousand (“HK\$’000”) unless otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following of amendments to HKFRS that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 16, *Covid-19-related rent concessions*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are asset management, provision of investment and financial advisory services, securities trading and investments and trading of wines and beverage.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Asset management	34,731	19,340
– Investment and financial advisory services	2,224	28
– Trading of wines and beverage	32,919	1,253
	69,874	20,621
Revenue from other sources		
Income from debt investments	9,319	27,656
Change in fair value of financial assets at fair value through profit or loss	(12,849)	(18,558)
Dividend income	7,773	–
Gain on disposal of debt investments at amortised cost	448	–
Loss on disposal of financial assets at fair value through profit or loss	(2,900)	(633)
	1,791	8,465
Total	71,665	29,086

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic information is disclosed in Note 4(b).

(b) Segment reporting

The Group's executive directors are the chief operation decision makers ("CODM") as they collectively make strategic decisions towards the Group's operations based on nature of business.

In a manner consistent with the way in which information is reported internally to the CODM for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments:

- (a) asset management
- (b) investment and financial advisory services
- (c) securities trading and investments
- (d) trading of wines and beverage

Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

Six months ended 30 June 2021

	Asset management <i>HK\$'000</i>	Investment and financial advisory services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Trading of wines and beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers:					
– At a point in time	–	–	–	32,919	32,919
– Over time	34,731	2,224	–	–	36,955
	34,731	2,224	–	32,919	69,874
Revenue from other sources	–	–	1,791	–	1,791
Reportable segment revenue	34,731	2,224	1,791	32,919	71,665
Segment profit (loss)	17,538	1,852	(1,597)	2,023	19,816
Other income					99
Unallocated corporate and other expenses					(7,478)
Finance costs					(6,659)
Profit before taxation					5,778
Income tax					(2,671)
Profit for the period					3,107

Six months ended 30 June 2020

	Asset management <i>HK\$'000</i>	Investment and financial advisory services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Trading of wines and beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers:					
– At a point in time	–	–	–	1,253	1,253
– Over time	19,340	28	–	–	19,368
	19,340	28	–	1,253	20,621
Revenue from other sources	–	–	8,465	–	8,465
Reportable segment revenue	19,340	28	8,465	1,253	29,086
Segment profit (loss)	15,561	–	(11,006)	(115)	4,440
Other income					191
Unallocated corporate and other expenses					(14,217)
Finance costs					(14,313)
Loss before taxation					(23,899)
Income tax					–
Loss for the period					<u>(23,899)</u>

Revenue is allocated to the reportable segments with reference to revenue and income generated by those segments.

Segment profit (loss) represents the profit earned by or loss from each segment without allocation of certain other income, certain finance costs and unallocated corporate and other expenses. This is the information reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

At 30 June 2021

	Asset management <i>HK\$'000</i>	Investment and financial advisory services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Trading of wines and beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS					
Segment assets	<u>19,401</u>	<u>2,537</u>	<u>366,842</u>	<u>12,432</u>	401,212
Unallocated items:					
Property, plant and equipment					8,489
Deposits, prepayments and other receivables					10,744
Pledge bank deposits					156,452
Cash and cash equivalents					<u>236,592</u>
Total assets					<u><u>813,489</u></u>
LIABILITIES					
Segment liabilities	<u>10,898</u>	<u>–</u>	<u>2,939</u>	<u>512</u>	14,349
Unallocated items:					
Other payables					3,613
Borrowings					287,005
Lease liabilities					<u>8,868</u>
Total liabilities					<u><u>313,835</u></u>

At 31 December 2020

	Asset management <i>HK\$'000</i>	Investment and financial advisory services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Trading of wines and beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS					
Segment assets	<u>9,120</u>	<u>–</u>	<u>588,448</u>	<u>6,295</u>	603,863
Unallocated items:					
Property, plant and equipment					10,599
Deposits, prepayments and other receivables					4,150
Pledged bank deposits					249,535
Cash and cash equivalents					<u>88,475</u>
Total assets					<u><u>956,622</u></u>
LIABILITIES					
Segment liabilities	<u>20,597</u>	<u>–</u>	<u>84,501</u>	<u>53</u>	105,151
Unallocated items:					
Other payables					4,391
Borrowings					341,060
Lease liabilities					<u>11,016</u>
Total liabilities					<u><u>461,618</u></u>

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments, other than certain property, plant and equipment, certain deposits, prepayments and other receivables, pledged bank deposits and cash and cash equivalents.
- all liabilities are allocated to reportable and operating segments, other than certain other payables, borrowings and certain lease liabilities.

Geographical information

During the six months ended 30 June 2021 and 2020, all of the Group's revenue were from Hong Kong. The following table sets out information about the geographical location of the Group's property, plant and equipment ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment.

	Specified non-current assets	
	At	At
	30 June	31 December
	2021	2020
	(unaudited)	(audited)
	Total	Total
	HK\$'000	HK\$'000
Hong Kong	7,910	10,650
PRC	676	1,066
	8,586	11,716

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	611	3,397
Interest on other borrowings	4,968	8,808
Interest on lease liabilities	221	343
Other borrowing costs	859	3,596
	6,659	16,144

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging (crediting):

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs (including directors' emoluments)	10,616	8,848
Cost of inventories recognised as an expense	29,839	1,227
Loss allowance on debt investments	1,807	14,924
Depreciation charge		
– owned property, plant and equipment	245	262
– right-of-use assets	2,846	2,854
Interest income from bank balances		
(included in other income)	(98)	(181)
Fees relating to asset management business		
– commission fee	1,450	–
– consultancy fee	5,938	1,398

7. INCOME TAX

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current Tax – Hong Kong Profits Tax	<u>2,671</u>	<u>–</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these two jurisdictions.

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 June 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed of 8.25% and the remaining assessable profits are taxed at 16.5%.

The PRC Enterprise Income Tax rate is 25% (2020: 25%).

No Hong Kong Profits Tax and PRC Enterprise Income Tax have been provided for in the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 as the Group has no estimated assessable profits for this period.

8. DIVIDENDS

No interim dividend was declared, proposed or paid for both the six months ended 30 June 2021 and 2020.

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

Basic:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit/(loss) attributable to equity shareholders of the Company	<u>3,107</u>	<u>(24,123)</u>
Weighted average number of ordinary shares in issue	<u>1,499,749,920</u>	<u>1,059,749,920</u>

Diluted:

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares during the six months ended 30 June 2021 and 2020. Therefore, the diluted earnings/(loss) per share are the same as basic earnings/(loss) per share.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group entered into a lease agreement for use of office premise, and therefore recognised the addition to right-of-use assets of HK\$703,000.

11. DEBT INVESTMENTS AT AMORTISED COST

	Note	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Corporate debt securities	(a)	240,045	289,145
Receivable under a loan facility	(b)	–	31,000
		<u>240,045</u>	<u>320,145</u>
Less: Loss allowance		<u>(185,624)</u>	<u>(183,817)</u>
Total debt investments at amortised cost, net of loss allowance		<u>54,421</u>	<u>136,328</u>
Analysed for reporting purpose, net of loss allowance			
– Non-current portion		10,049	25,535
– Current portion		<u>44,372</u>	<u>110,793</u>
		<u>54,421</u>	<u>136,328</u>

(a) Corporate debt securities

Corporate debt securities comprise the following:

	Note	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
8% senior guaranteed notes (“SP Note”)	(i)	100,945	100,782
10% senior guaranteed notes (“RD Note”)	(ii)	107,532	108,144
7.5% senior note (“CAP 2021 Note”)	(iii)	–	7,693
6.35% senior notes (“CAP 2024 Note”)	(iv)	–	15,503
9% guaranteed bond (“CFLD Note”)	(v)	21,519	21,485
7.25% senior unsecured bond (“GL Note”)	(vi)	10,049	10,032
7% fixed rate bond (“ET Note”)	(vii)	–	6,805
7.875% senior notes (“KWG Note 2”)	(viii)	–	3,702
6.875% senior guaranteed note (“LP Note”)	(ix)	–	3,779
7.85% senior unsecured note (“TC Note”)	(x)	–	11,220
		<u>240,045</u>	<u>289,145</u>
Gross carrying amount		<u>240,045</u>	<u>289,145</u>

Notes:

- (i) SP Note represented US\$13 million (31 December 2020: US\$13 million) 8% senior secured guaranteed notes issued by Sanpower (Hong Kong) Company Limited (“SP Note Issuer”) matured on 30 July 2019 with a right to extend the maturity date by further 12 months exercisable by the Group.

During the year ended 31 December 2018, Sanpower Group Co., Ltd and Yuan Yafei, being the guarantors of the SP Note failed to provide additional collateral requested by the Group pursuant to the terms of the SP Note and this has resulted in occurrence of events of default (“EOD”) under the terms of the SP Note. In October 2018, the Group has issued EOD notice to SP Note Issuer in respect of all outstanding sum owing by SP Note Issuer. The SP Note is secured also by charges over a total of 131,000,000 shares of C.banner International Holdings Limited (“C.banner Shares”), a Hong Kong listed company.

The Group brought legal proceedings against the Corporate Guarantor and the Personal Guarantor at the Intermediate People’s Court of Jiangsu Province (the “Court”) by the end of November 2018 for all outstanding sums owing by the SP Note Issuer under the SP Note. On 20 December 2018, the Court issued a 民事調解書 (the “Mediation Order”, order numbered (2018) Su 01 Min Chu No.3422) in relation to the payments obligations of the Corporate Guarantor and the Personal Guarantor, both as guarantors of the SP Note, in respect of the amounts owed under the SP Note recorded in the 和解協議 (the “Settlement Agreement”) entered into between OCI Capital Limited (“OCI Capital”), a wholly-owned subsidiary of the Company, the Corporate Guarantor and the Personal Guarantor on the same day as a result of the mediation conducted by the Court. Although the Corporate Guarantor and the Personal Guarantor are required under the Mediation Order and the Settlement Agreement to repay amounts owed under the SP Note to OCI Capital by making an initial US\$2,000,000 payment by 28 December 2018 and twelve further monthly payments during 2019, no payment was received by OCI Capital based on the Mediation Order and Settlement Agreement. Given such failure to pay in accordance with the agreed schedule, all amounts payable under the Mediation Order and the Settlement Agreement became immediately due and payable. Accordingly, on 9 January 2019, the Group submitted an application to the Court for the enforcement of amounts due under the Mediation Order and the Settlement Agreement. Up to the date of the interim financial report, such court application is still in progress.

As at 30 June 2021, the net carrying amount of the SP Note was HK\$35.93 million (31 December 2020: HK\$20.24 million), after a provision for impairment loss of HK\$65.02 million (31 December 2020: HK\$80.55 million).

- (ii) RD Note represented US\$15 million (31 December 2020: US\$15 million) 10% senior secured guaranteed notes (“RD Note”) issued by Rundong Fortune Investment Limited (“RD Note Issuer”) matured on 15 April 2019. RD Note was secured by a charge over 78,000,000 shares of China Rundong Auto Group Limited (China Rundong Shares). Following the RD Note Issuer failure to repay the outstanding principal amount and the outstanding interest and handling fee receivable of the RD Note, OCI Capital exercised its right as a chargee in possession of the charged shares and sold 2,019,000 China Rundong Shares on the market for HK\$3,648,440 and subsequently contracted with two third parties, LanHai International Trading Ltd and Ms. Ding Yi (丁怡) (“Potential Purchasers”) which is independent of the Group to sell the remaining 75,981,000 China Rundong Shares (“Remaining Shares”) for HK\$80 million. LanHai International Trading Ltd is the wholly owned subsidiary of LanHai Holding (Group) Company Limited (覽海控股(集團)有限公司), which is in turn 99% controlled by Mr. Mi Chunlei (密春雷). Nonetheless, neither of the Potential Purchasers paid any of the consideration to OCI Capital.

On 16 August 2019, Writ of Summons to LanHai International Trading Limited and Ms. Ding Yi was filed to the High Court of Hong Kong Special Administrative Region. The Company attended mediation meeting with the Potential Purchasers with no agreement reached. Up to the date of the interim financial report, such legal proceeding is still in progress.

Up to 30 June 2021, the Group further disposed of 6,291,000 China Rundong Shares on open market for HK\$5,106,900.

As at 30 June 2021, the net carrying amount of the RD Note was HK\$Nil (31 December 2020: HK\$17.98 million), after a provision for impairment loss of HK\$107.53 million (31 December 2020: HK\$90.17 million).

- (iii) CAP 2021 Note represented US\$1 million (face value) of 7.5% senior note issued by China Aoyuan Property Group Limited (“CAP 2021 Note Issuer”) maturing on 10 May 2021. The note was disposed on 1 April 2021 on market with a loss of approximately HK\$12,500.
- (iv) CAP 2024 Note represented US\$2 million (face value) of 6.35% senior note issued by China Aoyuan Property Group Limited (“CAP 2024 Note Issuer”) maturing on 8 February 2024. The note was disposed on 1 April 2021 on market with a gain of approximately HK\$66,600.
- (v) CFLD Note represented US\$2.69 million (face value) of 9% guaranteed bond issued by CFLD Cayman Investment Ltd (“CFLD Note Issuer”) maturing on 31 July 2021.

The Group received a default notice in respect of CFLD Note on 9 March 2021. Accordingly, the Group made a provision for impairment loss of HK\$13.07 million as at 30 June 2021 and at 30 June 2021, the net carrying amount of CFLD Note was approximately HK\$8.45 million.

- (vi) GL Note represented US\$1.3 million (face value) of 7.25% senior unsecured bond issued by Greenland Global Investment Limited (“GL Note Issuer”) maturing on 12 March 2022 and at 30 June 2021, the carrying amount of GL Note was approximately HK\$10.05 million.
- (vii) ET Note represented US\$0.88 million (face value) of 7% fixed rate bond issued by Easy Tactic Limited (“ET Note Issuer”) maturing on 25 April 2021. The note was disposed on 9 Mar 2021 on market with a gain of approximately HK\$14,900.
- (viii) KWG Note 2 represented US\$0.5 million (face value) of 7.875% senior note issued by KWG Group Holdings Limited (“KWG Note 2 Issuer”) maturing on 9 August 2021. The note was disposed on 1 April 2021 on market with a gain of approximately HK\$190,600.
- (ix) LP Note represented US\$0.5 million (face value) of 6.875% guaranteed note issued by Logan Property Holdings Limited (“LP Note Issuer”) maturing on 24 April 2021. The note was disposed on 26 March 2021 on market with a gain of approximately HK\$64,700.
- (x) TC Note represented US\$1.45 million (face value) of 7.85% senior unsecured note issued by Times China Holdings Limited (“TC Note Issuer”) maturing on 4 June 2021. The note was disposed on 7 April 2021 on market with a gain of approximately HK\$123,900.

(b) Receivable under a loan facility

The receivable under a loan facility was repaid in April 2021.

12. TRADE RECEIVABLES

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade debtors in respect of wine and beverage trading	1,401	487
Fees receivable from asset management	17,153	7,276
	18,554	7,763

The Group allows an average credit period from 90 to 120 days to its trade customers in respect of wine and beverage trading and a credit period of 30 days to its customers in respect of asset management. As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
0 to 60 days	18,553	7,276
61 to 90 days	–	–
91 to 180 days	1	280
181 to 365 days	–	207
	18,554	7,763

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
US Dollar bond linked notes	41,117	143,247
HK Dollar fund linked note	20,000	–
Corporate debt securities	–	119,202
Investment funds	248,227	165,697
Total financial assets at fair value through profit or loss	309,344	428,146

14. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Group has no obligations under repurchase agreement at 30 June 2021 as those repurchase agreements were expired and full settlement was made against those debt securities for the period ended 30 June 2021.

BUSINESS REVIEW

The principal activities of the Group are provision of asset management services, investment and financial advisory services, securities trading and investments and trading of wines and beverages.

The Group has been focusing on the development of asset management and investment and financial advisory business. The Group was granted Type 4 (advising on securities) and Type 9 (asset management) licenses by the Securities and Future Commission of Hong Kong (the “SFC”) in May 2018. Then the Group commenced its asset management business and earned revenue in these segments through providing asset management services and advisory services through the expertise of the Group’s investment team. Over the past three years, assets under management (AUM) managed by us increased from US\$662 million as at 31 December 2018 to US\$736 million as at 31 December 2019, representing an increment of 11.2% and further to US\$824 million as at 31 December 2020, representing an increment of 12.0% compared to the corresponding date a year before. Five funds were launched within the half year Under Review ending 30 June 2021. Two more funds of an aggregated size of approximately at US\$115 million has been launched subsequent to 30 June 2021. As a result, the AUM of the funds managed by the Group amounted to US\$1,018 million as at the date of this announcement, representing an increment of 23.6% compared to the AUM as at 31 December 2020, and the number of funds under our management increased to 13.

Moreover, our wine and beverage trading business turnaround as the Group decided to expand its wine product portfolio to a broader price range and other beverage categories to capture the demand of younger consumer demographics in addition to the existing target group of customers. However, the scale of fixed income investment is trimmed down as the Group’s expected returns from the financial market is diminishing.

The Group recorded total revenue of HK\$71.67 million for the six months ended 30 June 2021 (the “Period”) (six months ended 30 June 2020: HK\$29.09 million). The increase in revenue was mainly due to increase of revenue from asset management and investment advisory services and improved sales performance of wine and beverage trading. The consolidated net profit of HK\$3.11 million was recorded by the Group for the Period (six months ended 30 June 2020: loss of HK\$23.90 million). The consolidated profit from operations were substantially offset by the impairment losses in relation to the fixed income investment in the senior secured guaranteed notes issued by Rundong Fortune Investment Limited and Sanpower Group Co., Ltd. amounting to HK\$17.37 million and reversal of HK\$15.53 million respectively (six months ended 30 June 2020: loss of HK\$11.74 million and HK\$3.18 million) and loss on fair value of investment fund amounting to HK\$12.47 million (six months ended 30 June 2020: loss on fair value HK\$16.76 million).

Asset Management Services

Over the past three years, the Group carries on its asset management business through providing a range of asset management services and investment advisory services to qualified corporate, individual and financial institutional professional investors under Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the SFC. On the first quarter of this year, The Group had submitted an application for Type 1 (dealing in securities) license to SFC in early February 2021. On 28 July 2021, SFC sent us confirmation in granting Type 1 (dealing in securities) license to OCI Asset Management Company Limited. With the addition of the Type 1 (dealing in securities) license, the Group is able to provide underwriting, sub-underwriting and placing of securities to the funds under management, in particular, the Bond Funds and the IPO Funds. On 12 August 2021, OCI Asset Management Company Limited participated as Joint Bookrunners in the issuance of US\$700,000,000 corporate bonds by Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司).

There were two type of funds managed by the Group, namely (“Project Funds”) and (“Bond Funds”) over the past three years. In May 2021, the Group introduced a new fund type, the (“IPO Funds”). The IPO Funds are established for subscribing for initial public offering (“IPO”) shares through international placing and usually have lifespan ranging from 6 to 12 months. The investment targets of the IPO Funds are those IPO shares with high subscription rate in the market which the investors can only get a small allocation of shares through public offerings. Three IPO funds were launched in the 1HY2021 with fund size from US\$2m to US\$18m.

The Group has launched the open-ended US Dollar Debt Fund at the initial size of US\$15 million as our seed investment in 2020 aiming to provide a platform for proprietary investment in public offering bonds for potential investors. The fund is managed by the asset management subsidiary.

As at 30 June 2021, the asset management subsidiary is engaged in management of 11 funds including the US Dollar Debt Fund mentioned below with fund size varying from US\$2 million to US\$687 million. Asset management fee income of HK\$34.73 million was recorded for the Period (six months ended 30 June 2020: HK\$19.34 million). As at the date of this announcement date, the number of funds managed by the asset management subsidiary increased to 13.

Investment and Financial Advisory Services

Our investment advisory services mainly relate to advising US dollar debts related investments. As at 30 June 2021, the asset management subsidiary is engaged in advising 4 funds with fund size of US\$18 million to US\$140 million.

Investment advisory services fee amounting to HK\$2.22 million was recorded as income for the Group for the Period (six months ended 30 June 2020: HK\$0.03 million).

Fund Investment

On 30 June 2021, the Group has the following investment in funds:

- i) On 23 May 2019, the Company entered into the subscription agreement with the ICBC AMG China Fund I SPC, in respect of its segregated portfolio, ICBC US Dollar Debt Fund SP (the “Sub-Fund”), pursuant to which the Company subscribed for the Class B Shares issued by the Sub-Fund in an amount of US\$20 million (equivalent to approximately HK\$157 million). The fund size was US\$60 million including both Class A Shares of US\$40 million and Class B Shares of US\$20 million.

Both Class A and Class B Shares are entitled to a fixed return accruing on each anniversary of 3 June 2019 (“Distribution Date”) 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 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. On redemption, Class A Shares will not be entitled to any amount in excess of the subscription price and any accrued and unpaid fixed return. Class B Shares are entitled to the remaining portion of the NAV of the Sub-Fund. The Sub-Fund will generate 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 products and money market instruments issued by companies based in or with their headquarters in the PRC (each an “Issuer”). 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.

In accordance with the terms of the transaction documents, (i) the management fee is calculated at the rate of 0.60% per annum on the net asset value of the Sub-Fund; (ii) the set up fees, including costs incurred in connection with the preparation and execution of the agreements relating to the Sub-Fund and all initial legal and printing costs, are estimated to be US\$50,000; and (iii) the fees payable to the administrator, the custodian and the registrar with respect to their provision of services to the Sub-Fund are to be agreed by the relevant service provider with the manager of the Sub-Fund from time to time.

As at 30 June 2021, the fair value of the fund investment was HK\$153.23 million (31 December 2020: HK\$165.7 million), representing 18.8% of the total asset of the Group (31 December 2020: 17.3%). On 23 June 2021, 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 a revolving loan facility granted by Orient Finance to the Company on 1 January 2018 pursuant to the Facility Agreement. As 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. The transaction was approved by Independent Shareholders in an EGM held on 12 August 2021.

- ii) The Group launched a US dollar debt fund (the "US Dollar Debt Fund") in February 2020 through injection of two existing investment bonds valued at approximately US\$15.42 million at the date of injection. The aim of the US Dollar Debt Fund is to invest in short to medium term notes to obtain steadily interest income as well as capital appreciation. The US Dollar Debt Fund is open to external professional investors and is managed by OCI Asset Management Company Limited, the Group's asset management subsidiary. The fund manager will closely monitor the market value of the investment notes within the portfolio of the fund and try to capture any opportunities to acquire investment notes at low value and to dispose those investment notes at a higher price to obtain capital gain in addition to obtaining interest return. However, the portfolio of investment notes were trimmed down as the expected return on bonds diminish in view of the low interest rate prevailing money market affected by the pandemic hurt global economy. Further details of the investment portfolio of the US Dollar Debt Fund is set out under "Securities Trading and Investments – US Dollar Debt Fund" below.
- iii) On 2 March 2021, OCI Capital Limited ("the Subsidiary") executed a subscription agreement, pursuant to which the Subsidiary agreed to subscribe for the Class A Shares attributable to OCI Equities Fund SP ("the Sub-Fund") in an aggregate amount of HK\$95,000,000 (representing approximately 19% of the Investment Funds Raised). Class B Shareholder and Class C Shareholder will contribute HK\$80,000,000 (representing approximately 16% of the Investment Funds Raised) and HK\$325,000,000 (representing approximately 65% of the Investment Funds Raised) to subscribe for Class B Shares and Class C Shares, respectively.

Provided that the Sub-Fund has sufficient distributable assets, each Class A Share is entitled in priority (over Class B Shares) to a simple fixed return of 5% per annum on its initial offer price or its subscription price as at the Closing Day or the relevant subscription day (“Class A Expected Fixed Return”). The Class A Expected Fixed Return will be payable annually. After payment of the Class A Expected Fixed Return, each Class B Share is entitled to a simple fixed return of 10.5% per annum on its initial offer price or its subscription price as at the Closing Day or the relevant subscription day (“Class B Expected Fixed Return”). The Class B Expected Fixed Return will be payable annually.

Investment objective of the Sub-Fund is to achieve medium to long-term capital appreciation through direct or indirect acquisition, holding, and distribution or other disposition of the Target Project or the share of the Target Company through the three years term. The Sub-Fund is managed by the Group’s asset management subsidiary with a management fee equal to 1.8% per annum of the total subscription amount of the Sub-Fund.

Details of the Sub-Fund subscription are disclosed in the Company’s announcement date 2 March 2021.

Securities Trading and Investments

Dividend income, income from debt investments, gain/(loss) on disposal of financial assets, and the change in fair value of the financial assets recognised under this segment for the Period amounted to HK\$1.79 million (six months ended 30 June 2020: HK\$8.47 million). Loss attributed to this business segment amounted to HK\$1.60 million (six months ended 30 June 2020: HK\$11.01 million) mainly due to the impairment losses on fixed income investment notes amounted to HK\$1.81 million (six months ended 30 June 2020: HK\$14.92 million).

Fixed Income Products

As the fixed income products provided a stable income flow to the Group, the Group has seek appropriate investment opportunities to enrich the investment portfolio of the Group over the past three years. However, as the Group shift focus on development of asset management business and the global investment condition is not favourable to fixed income products in recent years, the scale of the Group’s fixed income product investment is trimmed down during the Period Under Review. Investment notes are redeemed upon maturity with no further extension or renewal. Capital fund are returned for other equities investment use when the appropriate investment opportunities come.

As at 30 June 2021, the Group held interests in the following debt securities which are recognized as debt investments carried at amortised costs and at fair value in the consolidated statement of financial position of the Group as at that date:

- (i) US\$15 million 10% senior secured guaranteed notes (“RD Note”) issued by Rundong Fortune Investment Limited (“RD Note Issuer”) matured on 15 April 2019. The RD Note was secured by a charge over 78,000,000 shares of China Rundong Auto Group Limited (China Rundong Charged Shares), a company listed on the Stock Exchange (stock code: 1365). The Group issued an EOD Notice to the RD Note Issuer and demanded for payment from RD Note Issuer on 16 April 2019. Then the Group sold 2,019,000 China Rundong Charged Shares and subsequently also contracted with LanHai International Trading Limited (覽海國際貿易有限公司) and Ms. Ding Yi (丁怡) (“RD Charged Share Purchasers”), to sell the remaining 75,981,000 China Rundong Charged Shares (“Remaining RD Shares”) for HK\$80 million. On 16 August 2019, a Writ of Summons to RD Charged Share Purchasers was filed to the High court of Hong Kong Special Administrative Region, for details, please refer to our annual report 2019. Up to the date of this report, 8,310,000 RD Charges Shares was disposed in open market for cash return of HK\$8.76 million. The total exposure as at 30 June 2021 was HK\$107.53 million (31 December 2020: HK\$108.14 million) after amounts recovered from the sale of part of collateral.

The legal proceedings between the Group against the RD Charged Share Purchasers is still in progress. During the year ended 31 December 2020, the Company attended the mediation but no agreement was reached with the RD charges Share Purchasers. Further Witness Statement was exchanged and our case management conference hearing is scheduled for 29 November 2021.

As at 30 June 2021, the carrying amount of the RD Note was HK\$NIL (31 December 2020: HK\$17.98 million), after a provision for impairment loss as at 30 June 2021 of HK\$107.53 million (31 December 2020: HK\$90.17 million), representing NIL% of the consolidated total assets of the Group (31 December 2020: 1.9%).

As the trading of the RD Charged Share was suspended since 1 April 2021 and the chance of trading resumption is remote, full impairment provision is made against RD Note.

- (ii) US\$13 million 8% senior secured guaranteed notes (“SP Note”) issued by Sanpower (Hong Kong) Company Limited (“SP Note Issuer”) matured on 30 July 2019.

The Group issued in October 2018 an EOD Notice to the SP Note Issuer and demanded for payment from the Sanpower Group Co., Ltd. (the “Corporate Guarantor”) and Mr. Yuan Yafei (the “Personal Guarantor”) as guarantors, in respect of all outstanding sums owing by the SP Note Issuer under the SP Note. The SP Note is secured also by charges over a total of 131,000,000 shares of C.banner International Holdings Limited (“C.banner Shares”), a company listed on the Stock Exchange (stock code: 1028). On 9 January 2019, the Group submitted an application to the Intermediate People’s Court for the enforcement of amounts due under the Mediation Order and the Settlement Agreement. Details please refer to our annual report 2018 and 2019. The total exposure as at 30 June 2021 was HK\$100.95 million (31 December 2020: HK\$100.78 million).

As at 30 June 2021, the carrying amount of the SP Note was HK\$35.93 million (31 December 2020: HK\$20.24 million), after a provision for impairment loss as at 30 June 2021 of HK\$65.02 million (31 December 2020: HK\$80.55 million), representing 4.4% of the consolidated total asset of the Group (31 December 2020: 2.1%).

Valuation of the carrying amount of the SP Note was based on the closing price as at 30 June 2021 of 131,000,000 C.banner Shares (31 December 2020: 131,000,000) that secured the SP Note of HK\$0.39 per share (31 December 2020: HK\$0.22) and a lack of marketability discount of 30% (31 December 2020: 30% discount) was applied.

US Dollar Debt Fund

As at 30 June 2021, the Group is the only investor of this fund and all the debt investments in this fund is regarded as proprietary trade in the Group’s financial statements. Fair value of each of those debt investments in the fund is less than 5% of the consolidated total assets of the Group. The details of the debt investments in the US Dollar Debt Fund as at 30 June 2021 are as follows:

- (i) US\$2.69 million (face value) of 9% fixed rate bond issued by CFLD Cayman Investment Ltd. maturing on 31 July 2021 (“CFLD Note”); On 9 March 2021, the Group received a notification from our fund administrator that the CFLD Note was defaulted due to a cross default terms of the CFLD Note. Independent valuer is engaged to assess the expected credit loss of the CFLD Note in respect of loss given default with reference to reports by major credit rating agencies.

As at 30 June 2021, the carrying amount of the CFLD Note was HK\$8.45 million (31 December 2020: HK\$8.41 million, after a provision for impairment loss from expected credit loss assessment as at 30 June 2021 of HK\$13.07 million (31 December 2020: HK\$13.07 million)).

- (ii) US\$1.3 million (face value) of 7.25% senior unsecured bond issued by Greenland Global Investment Limited maturing on 12 March 2022 (“GL Note”). As at 30 June 2021, the carrying amount of the GL Note was approximately HK\$10.05 million.

The carrying amount of the US Dollar Debt Fund is HK\$20.60 million as at 30 June 2021 (31 December 2020: HK\$72.94 million) whereas the interest income of HK\$1.26 million (31 December 2020: HK\$6.28 million) was included in the financial result for the Period Under Review.

US Dollar bond linked note

Brief information on the US dollar bond linked note held by the Group as at 30 June 2021 is as follow:

Date of announcement	12 October 2018 and 18 October 2018
Brief nature of the financial instrument in which the Group invested	A guaranteed note (“KWG Note”) issued by the issuer named below, the amount payable upon redemption of which is linked to the reference bond described below.
Amount invested	US\$5.03 million (equivalent to HK\$39.41 million)
Fair value	US\$5.30 million, equivalent to HK\$41.12 million, representing 5.1% of the consolidated total assets of the Group as at 30 June 2021 (31 December 2020: US\$5.35 million, equivalent to HK\$41.50 million, representing 4.3% of the total assets of the Group).
Note Issuer	Haitong International Products & Solutions Limited (“HIPSL”)
Guarantor	Haitong International Securities Group Limited
Coupon	Zero
Investment income	Fair value loss of HK\$0.38 million and interest amount received of HK\$2.39 million (30 June 2020: Fair value loss of HK\$1.41 million and interest amount received of HK\$2.12 million)

Reference bond

US\$10 million in the principal amount of the 7.875% senior notes issued by KWG Group Holdings Limited (stock code: 1813) due on 9 August 2021. As at 12 October 2018, the market value of the reference bond was US\$10.05 million.

The principal activities of KWG Group Holdings Limited is investment holding and its subsidiaries are principally engaged in property development, property investment and construction in the PRC.

Amount payable by the note issuer on redemption

On redemption upon maturity being 16 August 2021 or earlier due to an early termination event (which includes drop in market value, acceleration or default, adverse rating changes of the reference bond) the amount payable by the issuer is to be calculated by a pre-agreed formula that can be summarised as follows:

- a) The aggregate of market value of the reference bond plus interest and principal (net of tax) received by HIPSL minus the aggregate of US\$5.03 million (as hypothetical loan notional amount) plus hypothetical interest thereon at the rate of USD3-month LIBOR-BBA (floored at zero) plus 2.7% per annum; less
- b) In case of early redemption, cost and expenses incurred by HIPSL and/or affiliates in connection with the redemption of the KWG Note.

In the worst case scenario, for example, if market value of the reference bond drops to zero and/or HIPSL is in default in payment of interest and principal amount to the Company, the redemption amount can be zero in which case the Company will not recover its investment.

Benefits

Taking into account the terms of the KWG Note, including the potential return upon redemption based on returns from the reference bond (in the absence of default or a significant reduction of market value of the reference bond) and the amount of investment made in the KWG Note, which is less than the face value of the reference bond (whose shares is listed on the Hong Kong Stock Exchange) and the ultimate holding company of the note guarantor (whose shares are listed on the Shanghai Stock Exchange (600837.SH) and H shares are listed on the Hong Kong Stock Exchange (stock code: 6837)), the Company believes that the investment in the note may generate investment income (based on the Group's income recognition policy in accordance with HKFRS) and a reasonable return to the Group through the amount receivable on redemption of the KWG Note.

HK Dollar fund linked note

On 26 June 2021, the Group invested HKD20,000,000 through its subsidiary, OCI Capital Limited ("the Noteholder") in Total Return OCI Investment Fund SPC – OCI Real Estate Fund I SP (Class B) Linked Notes issued by Essence International Products & Solutions Limited ("the Issuer") due 2022 (subject to extension) comprising, for designation purpose only, 20,000,000 units of the Notes with a principal amount of HKD20,000,000, each linked to the Class B participating shares in a segregated portfolio entitled "OCI Real Estate Fund I SP" ("the Fund") of OCI Investment Fund SPC, an exempted segregated portfolio company established under the laws of the Cayman Islands, to which these Conditions relate. Cash dividend is expected to be 8% per annum to be received semi-annually pursuant to the applicable PPM Supplement of the Fund at that time. The Issuer shall pay to the Noteholder the relevant Dividend Amount (if any) on each Dividend Payment Date. Furthermore, the Issuer shall pay to the Noteholder the relevant Extension Fee Balance (if any) within five (5) Business Days following the actual receipt of the Extension Fee Balance by the Issuer pursuant to the PPM Supplement of the Fund.

Wine and Beverage Trading

Wine and Beverage trading business turnaround as the Group decided to expand its wine product portfolio to a broader price range and other beverage categories to capture the demand of younger consumer demographics in addition to the demand of the existing target group of customers. The Group maintains the alliance with a reputable distributor for sale of premium wine. Meanwhile, the Group is strengthening our on-line trading through improving our on-line sales platform. The customers of the Group on the other hand indicated their demand on tea products which are in the collection class as well as other healthcare drinks. The Group therefore responded promptly to the customers and procured these products from different channels for the customers. Turnover for this business segment for the Period Under Review amounting to HK\$32.92 million (six months ended 30 June 2020: HK\$1.25 million). Profit attributable to this business segment for the Period Under Review amounted to HK\$2.02 million (six months ended 30 June 2020: loss HK\$0.12 million).

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had two fixed-rate, unsecured loans outstanding and repayable within one year. One from Cheer Hope Holdings Limited, one of our substantial shareholders, and the other one from Orient Finance Holdings (Hong Kong) Limited, a subsidiary of another substantial shareholder of the Company. The outstanding principal amount of the loans as at 30 June 2021 amounted to US\$11 million and US\$6 million respectively and will fall due on 24 May 2022 and 3 Oct 2021 respectively. In addition, the Group's one-year secured term loan of HK\$155 million from a local bank with a deposit account pledged will fall due by 21 December 2021.

The gearing ratio of the Group as at 30 June 2021 is 59.2% (31 December 2020: 86.9%), calculated based on total borrowings (including borrowings, obligations under Repo and lease liabilities) of HK\$295.87 million (31 December 2020: HK\$430.04 million) divided by shareholders' equity of HK\$499.65 million (31 December 2020: HK\$495 million) as at that date.

The Group's bank balances and cash as at 30 June 2021 amounted to HK\$393.04 million (31 December 2020: HK\$338.01 million). Its total assets as at the same date were HK\$813.49 million (31 December 2020: HK\$956.62 million).

The Group recorded net current asset of HK\$481.60 million (31 December 2020: HK\$461.28 million) and inventories increased from HK\$5.65 million as at 31 December 2020 to HK\$9.09 million as at 30 June 2021. The current ratio of 2.5 times (31 December 2020: 2.0 times) is calculated based on the current assets of HK\$792.74 million (31 December 2020: HK\$917.26 million) over the current liabilities of HK\$311.14 million (31 December 2020: HK\$455.98 million).

As at 30 June 2021 and 31 December 2020, the issued capital of the Company was HK\$15 million.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not carry out any material acquisition nor disposal of any subsidiary during the Period.

PROSPECTS FOR THE YEAR 2021 AND DEVELOPMENT PLAN

With the continuing success of coronavirus vaccination campaigns, world economies are now regaining economic momentum. However, we should not expect economic recovery with a return to the pre-pandemic status quo. The current situation is that we are experiencing a period of very strong growth at a time when both monetary and fiscal policy settings are very loose and look set to remain so. Financial repression (i.e. artificially-low real interest rates) will continue to create a range of challenges for investors, especially those who are looking for predictable/fixed sources of income.

In view of this context, the Group continues to focus on the development of its asset management and investment advisory business, and wine and beverage trading business which will be the Group's core business sectors for further expansion while downsizing the portfolio of investment in fixed income financial products.

The Group is on the right track towards the expansion of asset management and investment advisory business with our existing management team members who possess prolific professional knowledge. Moreover, our team possesses sound network with most of the financial institutions in the field which can provide insights on suitable investment targets and provide channels to link up potential investors. For the 1HY2021, several funds were launched and new type of fund (IPO fund) is structured and launched. More investment funds in different categories (bond, project and IPO) will be structured in the coming years.

The Group had submitted an application for Type 1 (dealing in securities) license to SFC in early February 2021. On 28 July 2021, Type 1 license was granted by SFC to OCI Asset Management Company Limited. With the addition of the Type 1 (dealing in securities) license, the Group is able to provide underwriting, sub-underwriting and placing of securities to the funds under management, in particular, the Bond Funds and the IPO Funds. Synergy effect is expected for the growth of asset management and investment advisory business on top of the additional new business. On 12 August 2021, OCI Asset Management Company Limited participated as Joint Bookrunners in the issuance of US\$700,000,000 corporate bonds by Shaoxing City Investment Group Limited (紹興市城市建設投資集團有限公司).

For wine and beverage trading business, the Group maintains the alliance with a reputable distributor for sale of premium wine. Meanwhile, the Group is strengthening our on-line trading through improving our on-line sales platform. The customers of the Group on the other hand indicated their demand on tea products which are in the collection class as well as other healthcare drinks. The Group therefore responded promptly to the customers and procured these products from different channels for the customers. Hence, the Group will extend wine trading to other categories of wines and beverages and more resources are allocated to increase the manpower of the marketing and back-up team as well as advertising and promotion costs.

Moreover, the Group is looking for opportunity to invest in business entities with high potential growth in medium to long term.

FOREIGN EXCHANGE RISKS

The Group's operations are conducted (and its borrowings are denominated) in Hong Kong dollars and US dollars while wine trading billings are mainly settled in Euro, Sterling Pound, and Hong Kong dollars. However, the operations of our PRC subsidiaries are conducted in RMB. Therefore, the Group is exposed to fluctuations in foreign exchange rate to a certain extent. Currently, the Group has no formal hedging policies in place. The Group has not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks. However, the Group will continue to closely monitor and manage its exposure to foreign exchange and will consider engaging hedging instruments as and when appropriate.

DIVIDEND

No dividends were paid, declared or proposed during the Period (six months ended 30 June 2020: Nil). The Board did not recommend any dividend payment for the Period (six months ended 30 June 2020: Nil).

PLEDGE OF ASSETS

As at 30 June 2021 and 31 December 2020, as a precedent condition for the establishment of the secured term loan of HK\$155 million with a term of one year with a local bank, a deposit account with that local bank was pledged for the facility granted.

CAPITAL COMMITMENTS

As at 30 June 2021, no capital commitments were reported (31 December 2020: Nil).

CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Directors are not aware of any material contingent liabilities.

EMPLOYEE POLICY

As at 30 June 2021, the Group employed 4 employees in the PRC and 19 employees in Hong Kong. The Group has maintained good relationship with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group contributed to the Mandatory Provident Fund Scheme of Hong Kong and provided medical benefits programme for its employees in Hong Kong. It also contributed to the retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC.

The Group remunerates its employees in accordance with their work performance and experience. The Board has designated the duties of determining Directors' service contracts, reviewing of Directors' and senior management's emoluments and awarding of discretionary bonuses of the Company to the remuneration committee of the Company.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") has been adopted by the Company pursuant to a shareholder's resolution passed on 17 December 2012 and the maximum number of Shares that may be issued upon exercise of all share options to be granted under the Share Option Scheme (the "Option Scheme Mandate Limit") has been duly passed and refreshed by an ordinary resolution by the Shareholders at the annual general meeting of the Company on 24 May 2021.

No options have been granted under the Share Option Scheme since the adoption of the Share Option Scheme and up to the date of this Announcement.

As at the date of this Announcement, there is no option granted or outstanding under any of the Company's share option scheme.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties with written terms of reference. Save as disclosed below, the Company has complied with all code provisions of the Corporate Governance Code (the "Code") during the Period as set out in Appendix 14 to the Listing Rules.

EVENTS AFTER REPORTING PERIOD

Saved for disclosed elsewhere in this announcement, subsequent to the end of the reporting period, the Company disposed certain of its interests in ICBC US Dollar Fund SP of ICBC AMG China Fund I SPC to Orient Finance Holdings (Hong Kong) Limited, a wholly-owned subsidiary of a substantial shareholder of the Company at a consideration of approximately US\$7.51 million in August 2021. Details of which can be referred to the announcement and the circular of the Company dated 23 June 2021 and 23 July 2021 respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Following enquiries with the Directors, the Company has received confirmation from each of the Directors confirming that he or she has complied with the required standard of dealings set out in the Model Code for the Period.

AUDIT COMMITTEE

The interim results for the Period have been reviewed by the audit committee of the Company (the “Audit Committee”). The Audit Committee comprises four independent non-executive Directors of the Company, namely Mr. Chang Tat Joel, Mr. Tso Siu Lun Alan, Mr. Li Xindan and Dr. Lo Wing Yan William.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.oci-intl.com. The 2021 interim report will also be published on the website of Stock Exchange at www.hkexnews.hk and the website of Company at www.oci-intl.com and will be dispatched to the Shareholders in due course.

APPRECIATION

The Board would like to express our gratitude and sincere appreciation to all business partners, management, staff members and shareholders for their continuous support.

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

Hong Kong, 27 August 2021

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

Executive Directors:

Mr. Wu Guangze (*Chief Executive Officer*)
Mr. Feng Hai
Mr. Wei Bin

Independent non-executive Directors:

Mr. Chang Tat Joel
Mr. Tso Siu Lun Alan
Mr. Li Xindan
Dr. Lo Wing Yan William

Non-executive Directors:

Mr. Jiao Shuge (*Chairman*)
Ms. Zheng Xiaosu