OCI International Holdings Limited
東 建 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 329)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of OCI International Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 (the "Period") together with the comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

		For the six months ended	
	Note	**30.6.2018**	30.6.2017
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
CONTINUING OPERATIONS			
Revenue	5	**69,787**	15,114
Cost of goods sold		**(18,516)**	(7,733)
		51,271	7,381
Other income		**384**	14
Other losses		**—**	(414)
Selling and distribution cost		**(95)**	—
General and administrative expenses		**(39,768)**	(15,923)
Profit/(loss) from operations		**11,792**	(8,942)
Finance costs		**(11,855)**	(1,093)
Share of loss of joint venture		**(128)**	—
Loss before tax		**(191)**	(10,035)
Income tax expenses	6	**(1)**	—
Loss for the period from continuing operations	7	**(192)**	(10,035)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		**—**	(9,304)
Loss for the period		**(192)**	(19,339)
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(72)**	886
		(72)	886
Total comprehensive loss for the period		**(264)**	(18,453)

	Note	For the six months ended 30.6.2018 HK$'000 (unaudited)	30.6.2017 HK$'000 (unaudited)
Loss for the period attributable to:			
Continuing operations		**(192)**	(10,035)
Discontinued operations		**—**	(9,304)
Equity shareholders of the Company		**(192)**	(19,339)
Non-controlling interests -			
Continuing operations		**—**	—
		(192)	(19,339)
Total comprehensive loss for the period attributable to:			
Continuing operations		**(264)**	(10,035)
Discontinued operations		**—**	(8,418)
Equity shareholders of the Company		**(264)**	(18,453)
Non-controlling interests -			
Continuing operations		**—**	—
		(264)	(18,453)
Loss per share	9		
Basic and diluted			
– Continuing operations		**HK(0.02) cents**	HK(0.95) cents
– Discontinued operations		**HK nil cents**	HK(0.87) cents
		HK(0.02) cents	HK(1.82) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	**At 30.6.2018**	At 31.12.2017
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Plant and equipment		**2,363**	2,502
Financial investments	10	**148,685**	234,000
Interest in joint venture		**1,445**	1,573
Rental deposits		**1,968**	1,968
		154,461	240,043
Current assets			
Inventories		**12,354**	12,790
Trade receivables	11	**9,489**	10,451
Deposits, prepayments and other receivables		**14,760**	32,776
Financial investments	10	**256,703**	—
Derivative financial instruments		**133,016**	—
Trading securities		**77,938**	82,940
Bank balances and cash		**148,574**	254,497
		652,834	393,454
Current liabilities			
Trade payable		**—**	3
Accruals and other payables		**27,313**	11,364
Taxation payable		**144**	442
Financial assets sold under repurchase agreements		**39,817**	—
Borrowings		**352,597**	234,000
		419,871	245,809
Net current assets		**232,963**	147,645
NET ASSETS		**387,424**	387,688
CAPITAL AND RESERVES			
Share capital		**10,598**	10,598
Reserves		**376,965**	377,229
Total equity attributable to equity shareholders of the Company		**387,563**	387,827
Non-controlling interests		**(139)**	(139)
TOTAL EQUITY		**387,424**	387,688

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Translation reserve	Non-distributable reserve	Special reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(note a)	(note b)				
Balance at 1 January 2017 (audited)	10,598	217,190	53,580	24,737	3,142	89,334	398,581	—	398,581
Loss for the period	—	—	—	—	—	(19,339)	(19,339)	—	(19,339)
Other comprehensive income for the period	—	—	886	—	—	—	886	—	886
Total comprehensive income/(loss) for the period	—	—	886	—	—	(19,339)	(18,453)	—	(18,453)
Balance at 30 June 2017 (unaudited)	10,598	217,190	54,466	24,737	3,142	69,995	380,128	—	380,128
Balance at 1 January 2018 (audited)	**10,598**	**217,190**	**242**	**—**	**—**	**159,797**	**387,827**	**(139)**	**387,688**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(192)**	**(192)**	**—**	**(192)**
Other comprehensive loss for the period	**—**	**—**	**(72)**	**—**	**—**	**—**	**(72)**	**—**	**(72)**
Total comprehensive loss for the period	**—**	**—**	**(72)**	**—**	**—**	**(192)**	**(264)**	**—**	**(264)**
Balance at 30 June 2018 (unaudited)	**10,598**	**217,190**	**170**	**—**	**—**	**159,605**	**387,563**	**(139)**	**387,424**

Notes:

(a) The non-distributable reserve represents statutory reserves appropriated from profit after tax of the Company's subsidiary in The People's Republic of China (the "PRC") under the PRC laws and regulations.

(b) The special reserve of the Group represents reserve arising pursuant to a group reorganisation that was effected in during the year ended 31 December 2000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Suite 811, Level 8, One Pacific Place, 88 Queensway, Hong Kong respectively.

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(2) BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2018 have 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 Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 31 August 2018.

(3) CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments

- HKFRS 15, Revenue from contracts with customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

Details of the changes in accounting policies are discussed in note 3(a) for HKFRS 9 and note 3(b) for HKFRS 15.

(a) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorise financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. There were no impact on the amounts reported set out in the condensed consolidated interim financial statements except the following:

	HKAS 39 carrying amount at 31 December 2017	Reclassification	HKFRS 9 carrying amount at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost			
Held-to-maturity investments	234,000	(234,000)	—
Investments in debt securities	—	234,000	234,000
	234,000	—	234,000

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loan receivable and Investments in debt securities).

Financial assets measured at fair value, including equity securities measured at FVPL and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

As at 30 June 2018, the Group has applied the simplified approach and measured loss allowance at an amount equal to lifetime ECLs on trade receivables, cash and placements with banks and financial institutions and investments in debt securities at amortised cost, and general approach and measured loss allowance at an amount equal to 12-month ECLs on loan receivable and other receivables. The Group determined that there are no significant financial impact arising from these changes.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 35 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The Group has concluded that there would be no material impact for the initial application of the new impairment requirements.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's consolidated financial statements.

(4) SEGMENT INFORMATION

The Group's executive directors are the chief operating decision makers ("CODM") as they collectively make strategic decisions towards the Group's operations in accordance with nature of business.

The Group's reportable and operating segments in its continuing and discontinued operations under HKFRS 8 are therefore as follows:

(a) securities trading and investments

(b) trading of wines

(c) financial advisory services

(d) asset management

(e) healthcare products, which are mainly represented by ginseng products (classified as discontinued operations during the six months ended 30 June 2017)

(f) pharmaceutical products, which are mainly represented by licensed medicines (classified as discontinued operations during the six months ended 30 June 2017)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the six months ended 30 June 2018 (unaudited)

	Continuing operations				
	Securities trading and investments	Trading of wines	Financial advisory services	Asset management	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
Sales of goods	—	20,799	—	—	20,799
Dividend income	676	—	—	—	676
Fund management fee income	—	—	—	35,267	35,267
Change in fair value of financial assets at fair value through profit or loss	(12,062)	—	—	—	(12,062)
Income from financial investments	25,107	—	—	—	25,107
	13,721	20,799	—	35,267	69,787
Segment profit (loss)	15,098	1,215	(1,240)	19,972	35,045
Other income					384
Unallocated corporate and other expenses					(23,918)
Share of loss of joint venture					(128)
Finance costs					(11,574)
Loss before taxation					(191)
Income tax expenses					(1)
Loss for the period					(192)

For the six months ended 30 June 2017 (unaudited)

	Continuing operations			Discontinued operations			
	Securities trading and investments	Trading of wines	Subtotal	Healthcare products	Pharmaceutical products	Subtotal	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue							
Sales of goods	—	8,645	8,645	83	8,384	8,467	17,112
Arrangement and handling fee income	2,844	—	2,844	—	—	—	2,844
Dividend income	1,566	—	1,566	1	—	1	1,567
Change in fair value of financial assets at fair value through profit or loss	(371)	—	(371)	—	—	—	(371)
Interest income from held-to-maturity investments	2,430	—	2,430	—	—	—	2,430
	6,469	8,645	15,114	84	8,384	8,468	23,582
Segment (loss) profit	6,452	556	7,008	(4,919)	(4,891)	(9,810)	(2,802)
Other income			14			1,583	1,597
Unallocated corporate and other expenses			(15,964)			—	(15,964)
Finance costs			(1,093)			(1,077)	(2,170)
Loss before taxation			(10,035)			(9,304)	(19,339)
Income tax expenses			—			—	—
Loss for the period			(10,035)			(9,304)	(19,339)

Segment revenue includes proceeds from sales of goods, dividend income, fund management fee income, income from financial investments, arrangement and handling fee income from held-to-maturity investments, interest income from held-to-maturity investments, and change in fair value of financial assets at fair value through profit or loss.

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

(5) REVENUE

	For the six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Income from financial investments (Note i)		
– Arrangement and handling fee income from debt securities	**4,885**	N/A
– Interest income from debt securities	**20,222**	N/A
– Arrangement and handling fee income from held-to-maturity investment	**N/A**	2,844
– Interest income from held-to-maturity investment	**N/A**	2,430
	25,107	5,274
Sales of goods	**20,799**	8,645
Dividend income	**676**	1,566
Fund management fee income (Note ii)	**35,267**	—
Change in fair value of financial assets at fair value through profit or loss	**(12,062)**	(371)
	69,787	15,114

Note:

(i) The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

(ii) The Group launched a fund of HK$5,000 million in June 2018 and the Group is acting as the fund manager of the fund.

(6) INCOME TAX EXPENSES

	For the six months ended	
	30.6.2018	30.6.2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Continuing operations		
Hong Kong Profits Tax	**—**	—
PRC Enterprise Income Tax	**1**	—
	1	—

(a) 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.

(b) The statutory income tax rate of the Company and its subsidiaries operated in Hong Kong is 16.5% (2017: 16.5%). The PRC Enterprise Income Tax rate is 25% (2017: 25%).

No Hong Kong Profits Tax for the continuing operations has been provided for in the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 and 2017 as the Group has no estimated assessable profits for both periods.

(7) LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period from continuing operations has been arrived at after charging (crediting):

	For the six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Staff costs (including directors' emoluments)	**16,510**	3,752
Commission fee relating to asset management business	**14,400**	—
Cost of inventories recognised as an expense	**18,516**	7,733
Depreciation of plant and equipment	**543**	587
Operating lease rentals in respect of office premises	**3,089**	3,037
Interest income from bank balances (included in other income)	**(384)**	(5)
Legal and professional expenses	**3,440**	6,015

(8) DIVIDEND

No interim dividend was declared, proposed or paid for both six months ended 30 June 2018 and 2017.

(9) LOSS PER SHARE

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

Basic:

	For the six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss attributable to equity holders of the Company		
– Continuing operations	**(192)**	(10,035)
– Discontinued operations	**—**	(9,304)
	(192)	(19,339)
Weighted average number of ordinary shares in issue	**1,059,749,920**	1,059,749,920

Diluted:

Diluted 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 2018 and 2017. Therefore, the diluted loss per share are the same as basic loss per share.

(10) FINANCIAL INVESTMENTS

	At 30.6.2018	At 31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Financial assets measured at amortised cost		
Loan receivable	**31,000**	—
Investments in debt securities (see Note 3(a)(i))	**374,388**	N/A
Held-to-maturity investments (see Note 3(a)(i))	**N/A**	234,000
	405,388	234,000

Analysed for reporting purpose:

	At 30.6.2018	At 31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-current portion	**148,685**	234,000
Current portion	**256,703**	—
	405,388	234,000

There were no specific provisions/impairment allowances made against investment in debt securities/held-to-maturity investments as at 30 June 2018 and 31 December 2017.

Investments in debt securities/held-to-maturity investments were neither impaired not overdue as at 30 June 2018 and 31 December 2017.

Investments in debt securities with their contractual maturity dates falls within 12 months from the end of the reporting period were classified as current assets in the consolidated statement of financial position.

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

(11) TRADE RECEIVABLES

The Group allows an average credit period from 60 to 270 days to its trade customers. The following is an aged analysis of trade receivables net of allowance of doubtful debts presented based on invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period:

	At 30.6.2018	At 31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 to 60 days	**5,680**	8,824
61 to 90 days	**110**	—
91 to 180 days	**1,587**	1,627
181 to 270 days	**2,112**	—
	9,489	10,451

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Total revenue of HK$69.79 million was generated from continuing operations for the six months ended 30 June 2018 (the "Period") (six months ended 30 June 2017: HK$15.11 million). The increase in turnover was mainly due to increase in sales of wine trading and increase in revenue from securities trading and investments operations and asset management operations. A consolidated net loss from continuing operation of HK$0.19 million (six months ended 30 June 2017: loss of HK$10.04 million) was incurred by the Group for the Period. The reduction of losses was mainly due to (i) operating profits of HK$19.97 million contributed by asset management operations commenced during the Period; and (ii) the strong improvement in the securities trading and investments operations contributing HK$15.10 million in operating profit.

Securities Trading and Investments

The Group has been actively building up its securities and investment operations during the Period. Dividend income, income from investments held at amortised costs, and the change in fair value of the financial assets recognised under this segment in aggregate amounted to HK$13.72 million for the Period (six months ended 30 June 2017: HK$6.47 million). Profit attributed to this business segment amounted to HK$15.10 million for the Period (six months ended 30 June 2017: HK$6.45 million).

Equity Securities

The Group continues to maintain a listed securities portfolio comprising shares with relatively high market liquidity but which the Group considers as undervalued by the market. Changes in fair value for these listed equity investment resulted in an unrealised loss of HK$5.00 million for the Period (six months ended 30 June 2017: unrealised loss of HK$0.37 million) due to market fluctuation. Dividend income from listed equity investment amounted to HK$0.68 million for the Period (six months ended 30 June 2017: HK$1.57 million). As at 30 June 2018, the portfolio comprised of nine companies with large capitalisation including PetroChina Company Limited (stock code: 0857), China Mobile Limited (stock code: 0941), Sinopharm Group Co. Ltd. (stock code: 1099), New China Life Insurance Company Ltd. (stock code: 1336), Man Wah Holdings Limited (stock code: 1999), Shanghai Electric Group Company Limited (stock code: 2727), China National Building Material Company Limited (stock code: 3323), China Resources Pharmaceutical Group Limited (stock code: 3320) and Huatai Securities Co., Ltd. (stock code: 6886). The market value of the portfolio amounted to HK$77.94 million as at 30 June 2018.

Fixed Income Products

The Group actively invested in the fixed income products during the Period. The Group usually considers a number of factors when assessing the investment in fixed income products. The key factors included, but not limited to, (i) the credit rating of the issuers; (ii) the financial position and financial performance of the underlying assets; (iii) the returns offered by and the relevant costs incurred from the fixed income products; (iv) the maturities of the fixed income products; (v) any guarantor or collaterals offered by the fixed income products; (vi) leverage which can be applied in the fixed income products; (vii) the economic environment; and (viii) government policies. The management is of the view that market interest rate may increase in the near future which could adversely affect the profit derived from the fixed income products. The Company has therefore focused on investment in fixed income products with short maturity (i.e. one year) in order to control the risk.

One of the investment strategies of the Group is to obtain leverage on the fixed income products through entering into financial arrangements with financial institutions such as total return swap agreements and US Dollar bond linked notes. Through these financial arrangements, the Company can obtain the economic benefits including the interest and capital gain of an underlying assets without paying the entire amount of cash to buy the underlying asset. The Company only needs to pay part of the market value as upfront payment to the financial institution for the financial derivatives. In return, the financial institution will pay the Company the return of the underlying asset net of the funding cost pre-agreed between the Company and the financial institution.

The Group also enters into a repurchase agreement ("Repo") with a financial institution to obtain leverage. A Repo is an agreement that the Company sells its debt securities to the financial institution and agrees to repurchase it at a pre-agreed price in the future. The economic benefits including the interest and capital gain of its debt securities which are retained by the seller, i.e. the Company. It is in substance a form of borrowing with its debt securities as a collateral, and the funding cost is embedded in the pre-agreed price to repurchase the security in the future.

Other than the fixed income products brought forward from the year ended 31 December 2017, on 17 January 2018, the Group completed the subscriptions of US$10 million 7% notes maturing on 16 January 2019 and US$10 million 5% convertible bonds, both issued by C.banner International Holdings Limited maturing on 16 January 2019 ("Notes and Convertible Bonds"). On 17 May 2018, the Notes and Convertible Bonds were redeemed by issuer in accordance with the terms of the Notes and Convertible Bonds. Subsequent to the Period end, the Group disposed of US$2 million (face value) senior secured guaranteed notes issued by Sanpower (Hong Kong) Limited to an independent third party on 10 August 2018 at the consideration of US$2 million. The Company has noted that the issuer and guarantor are currently facing internal and external challenges. Accordingly, the Company has proactively reduced its investment position and is implementing additional risk management measures regarding its remaining holding. Despite the downgrading of the rating of the guarantor and the reduction in value of the collateral that secures the notes, after discussion with the issuer and the guarantor, the issuer reaffirmed that it will repay the relevant principal and the interest in accordance with the terms of the notes.

Financial arrangements as mentioned above were used for acquisition of fixed income products for positive return during the Period and these investments in fixed income products were classified as derivative financial instruments in the financial statements of the Group.

Brief information on the derivative financial instruments acquired by the Group which remained outstanding as at 30 June 2018 are as follows:

Date of announcement/ circular	**16 October 2017/11 December 2017**
Brief nature of derivative financial instrument in which the Group invested	Total return swap ("TRS") transaction with Haitong International Global Strategic Investment Limited (HIGSI) whereby: a) the Company paid HIGSI 20% of the prevailing market value of the reference bond (described below) on 12 January 2018 (the "ZR Notional Amount") being the initial exchange date of the TRS and agreed to pay the balance of the ZR Notional Amount on final exchange (see below), and b) during the term of the TRS transaction, the Company will receive from HIGSI the equivalent coupon amounts (payable semi-annually under the reference bonds) from 100% of the reference bonds and is required to pay to HIGSI quarterly interest at an interest rate of USD 3-month LIBOR-BBA (floored at zero) plus 2.1% per annum, on US$14.86 million, being 80% of the ZR Notional Amount of the reference bond.
Amount invested	US$3,715,348 (i.e. 20% of the ZR Notional Amount) and top-up amount US$3,715,348 (i.e. a further 20% of the ZR Notional Amount) pursuant to the credit support arrangement under the TRS transaction due to the fall of market value of the reference bond.

Reference bond	US$18,200,000 (face value) 6.95% senior unsecured bond issued by Zhongrong International Bond 2016 Limited due on 21 June 2019. As at 16 October 2017, the market value of the reference bond was US$18,895,517.
Amount payable by the Group on final exchange	On final exchange date being 14 January 2019 or earlier due to an early termination of the TRS transaction (which may take place due to the bankruptcy or change of control of or default by the reference bond issuer, restructuring drop in market value, adverse rating changes of the reference bond), the Company is required to pay to HIGSI a sum equal to 80% of the ZR Notional Amount plus any applicable break costs and unwind costs incurred by HIGSI (in case the TRS transaction is early terminated) less any additional payment made to HIGSI pursuant to the credit support arrangement under the TRS transaction; and HIGSI will deliver to the Company the reference bond. In the worst case scenario, for example, if market value of the reference bond drops to zero and HIGSI is default in payment of coupon to the Company, and the reference bond issuer fails to redeem the reference bond, the Company will not recover its investment (totalling US$7,430,696) plus interest but will nevertheless be required to pay for the remainder of the ZR Notional Amount (i.e. it will have to pay for the market value of the reference bond at the initial exchange date) plus break/ unwind costs.

Benefits	Considering the terms of the TRS agreement, the potential return on the redemption of the reference bond that are to be delivered to the Company on final exchange and coupon payments 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 by the Company under the TRS agreement to date which is less than the face value of the reference bonds, the creditability of HIGSI, whose ultimate holding company is listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and the creditability of the reference bond issuer, whose ultimate holding company is Zhongrong International Trust Co., Ltd., being one of the leading trust companies in the PRC engaging in the provision of trust business, asset management and wealth management with broad client base ranging from high-net-worth individuals to governments in the PRC, the Company believes that the investment in the TRS 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 during the term of the TRS transaction and on final exchange.

Date of announcement	**3 April 2018**
Brief nature of derivative financial instrument in which the Group invested	A guaranteed note ("HX Note") issued by the issuer named below, the amount payable upon redemption of which is linked to the US Dollar reference bond described below.
Amount invested	US$ 7.5 million
Note Issuer	CSI Financial Products Limited ("HX Note Issuer")
Guarantor	CITIC Securities International Company Limited
Coupon	Zero
Reference bond	US$15 million in principal amount of the 6.80% guaranteed notes issued by Huaxin Pharmaceutical (Hong Kong) Co., Limited due on 15 March 2021. As at 3 April 2018, the market value of the reference bond was US$14,996,850.
Amount payable by the note issuer on redemption	On redemption upon maturity being 12 April 2019 or earlier due to an early termination event (which includes drop in market value, and default of the Reference bond) the amount payable by the HX Note 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 the HX Note Issuer minus the aggregate of US$7,594,333.33 (as hypothetical loan notional amount) plus hypothetical interest thereon at the rate of 4.64% per annum; less b) In case of early redemption, cost and expenses incurred by the HX Note Issuer and/or affiliates in connection with the redemption of the HX Note.

In the worst case scenario, for example, when market value of the reference bond drops to zero and the HX Note Issuer 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 HX 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 HX Note, which is less than the face value of the reference bond, and the credit rating of the reference bond issuer and the creditability of the HX Note Issuer and guarantor (whose A shares are listed on the Shanghai Stock Exchange and H shares are listed on the Hong Kong Stock Exchange), the Company believes that the investment in the HX 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 HX Note.

Date of announcement	**26 June 2018**
Brief nature of derivative financial instrument in which the Group invested	TRS transaction with CEBI Financial Products Limited ("CEBI") whereby: a) the Company paid CEBI 1/3 of the agreed market value of the reference bond (described below) on 27 June 2018 (the "GL Notional Amount") being the initial exchange date of the TRS and agrees to pay the balance of the GL Notional Amount on final exchange (see below), and b) during the term of the TRS transaction, the Company will receive from CEBI the equivalent coupon amounts (payable semi-annually under the reference bonds) from 100% of the reference bonds and is required to pay to CEBI an annual interest at an interest rate of 4.9% on US$6,666,666.67, being 2/3 of the GL Notional Amount of the reference bonds
Amount invested	Initial exchange amount of US$3,333,333.33 (i.e. 1/3 of the GL Notional Amount)
Reference bond	US$10 million (face value) in the principal amount of the 7.875% senior unsecured bond issued by Greenland Hong Kong Holdings Limited (337.HK) due on 25 June 2019. As at 26 June 2018, the market value of the reference bond was US$10,006,700.

Amount payable by the Group on final exchange	On the final exchange date being 25 June 2019 or earlier due to an early termination of the TRS transaction (which may take place due to default by the reference bond issuer, amendment to the terms of the reference bond, adverse change of laws and regulations, early redemption or repayment or drop in market value of the reference bond), CEBI will deliver, novate, transfer, assign or sell to the Group the reference bond (after the deduction of any costs and expenses); and the Group is required to pay CEBI 2/3 of the GL Notional Amount. In the worst case scenario, for example, if market value of the reference bond drops to zero and CEBI is default in payment of coupon to the Group and the reference bond issuer fails to redeem the reference bond, the Group will not recover its investment (totalling US$3,333,333.33) plus interest but will nevertheless be required to pay for the remainder of the GL Notional Amount (i.e. it will have to pay for the market value of the reference bond at the initial exchange date) plus break/unwind costs.

Benefits	Considering the terms of the TRS agreement, the potential return on the redemption of the reference bond that are to be delivered to the Company on final exchange and coupon payments 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 by the Group under the TRS agreement to date which is less than the face value of the reference bonds, the creditability of CEBI, whose holding company is listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the creditability of the reference bond issuer Greenland Hong Kong Limited which is listed on the Main Board of the Stock Exchange and its ultimate holding company, Greenland Holdings Corporation Limited (Stock Code: 600606) is a state-owned enterprise under the management of the State-owned Asset Supervision and Administration Commission of Shanghai Municipal Government and listed on the Shanghai Stock Exchange. The Company believes that the investment in the TRS transaction 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 during the term of the TRS transaction and on final exchange.

Brief information on the derivatives financial instrument acquired subsequent to the Period is as follows:

Date of announcement	**3 July 2018**
Brief nature of derivative financial instrument in which the Group invested	A guaranteed note ("LP 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$7.5 million
Note Issuer	CSI Financial Products Limited ("LP Note Issuer")
Guarantor	CITIC Securities International Company Limited
Coupon	Zero
Reference bond	US$15 million in the principal amount of the 6.875% guaranteed senior notes issued by Logan Property Holdings Company Limited (3380.HK) due on 24 April 2021. As at 3 July 2018, the market value of the reference bond was US$14,590,350.
Amount payable by the note issuer on redemption	On redemption upon maturity being 5 July 2019 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 the LP Note Issuer minus the aggregate of US$7,387,500 (as hypothetical loan notional amount) plus hypothetical interest thereon at the rate of 4.86% per annum; less

b) In case of early redemption, cost and expenses incurred by the LP Note Issuer and/or affiliates in connection with the redemption of the LP Note.

In the worst case scenario, for example, if market value of the reference bond drops to zero and the LP Note Issuer 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 LP 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 LP Note, which is less than the face value of the reference bond, and the credit rating of the reference bond issuer and the creditability of the note issuer and guarantor (whose A shares are listed on the Shanghai Stock Exchange and H shares are listed on the Hong Kong Stock Exchange), the Company believes that the investment in the note may generate investment income (based on the Group's income recognition policy in accordance with HKFRSs) and a reasonable return to the Group through the amount receivable on redemption of the LP Note.

On 12 February 2018, the Group subscribed US$10 million 6.5% guaranteed bonds issued by Zunyi New District Investment Co., Limited maturing on 12 February 2019 ("Zunyi Notes"). On 4 May 2018, the Group entered into a Repo with GF Global Capital Limited (the "Buyer") pursuant to which the Group sold the Zunyi Notes to the Buyer for a consideration of US$5.075 million and agreed to repurchase the Zunyi Notes on repurchase date as set out in the repurchase agreement.

During 22 to 25 June 2018, the Group further acquired an aggregate of US$8 million (face value) 6.95% guaranteed notes issued by Zhongrong International Bond 2016 Limited due on 21 June 2019 on the open market at an aggregate cash consideration of US$7.72 million and all of the US$8 million (face value) notes was sold on 16 August 2018 and 21 August 2018 on open market as the Group is of the opinion that the weighting of the notes issued by Zhongrong International Bond 2016 Limited as a single debt investment is relatively high and the disposal can reduce the risk due to the volatility in the recent bond market.

Asset Management

The Group obtained type 4 (advising on securities) and type 9 (asset management) licenses to conduct the business regulated under the SFO on 9 May 2018. Hence, the Group commenced the provision of asset management services including portfolio management and investment advice to qualified corporate and individual professional investors. The Group launched a fund of HK$5,000 million in June 2018 and the Group is acting as the fund manager of the fund. Asset management fee of HK$35.27 million was recorded for the Period.

Wine Trading

Turnover of HK$20.80 million was recorded for the Period (six months ended 30 June 2017: HK$8.65 million). Profit attributed to this business segment amounted to HK$1.22 million for the Period (six months ended 30 June 2017: HK$0.56 million).

Financial Advisory Services

The Group has commenced business in the provision of business consultation and advisory services in the PRC since the second half of 2017. However, no contractual agreement has been signed with any client for the Period and no revenue is recorded in this business segment for the Period.

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had an unsecured revolving facility of US$100 million advanced by Cheer Hope Holdings Limited, one of its substantial shareholders, which carries interest at a fixed rate on amounts drawn and will be due within one year from drawdown and extendable twice for one year. During the Period, the loan was drawn as general working capital and the outstanding loan amounted to US$15 million as at 30 June 2018. Another unsecured revolving facility of US$100 million advanced by Orient Finance Holdings (Hong Kong) Limited, a subsidiary of another substantial shareholder was granted to the Group, which carries interest at a fixed rate on amounts drawn and will be due within one year from drawdown and extendable twice for one year. During the Period, the loan was drawn as general working capital and the outstanding loan amounted to US$20 million as at 30 June 2018. The above borrowings were denominated in US dollars and thus, there was exposure to fluctuations in exchange rate. Furthermore, the Group was granted an unsecured revolving facility of HK$300 million by a local bank, which carries interest at a fixed rate. HK$78 million was drawn as general working capital as at 30 June 2018.

Gearing ratio of the Group as at 30 June 2018 is 101.3 % (31 December 2017: 60.4%). The calculation is the total of borrowings and financial assets sold under repurchase agreements of HK$392.41 million as at 30 June 2018 (31 December 2017: HK$234.00 million) divided by shareholders' funds of HK$387.42 million as at 30 June 2018 (31 December 2017: HK$387.69 million).

Bank balances and cash as at 30 June 2018 amounted to HK$148.57 million (31 December 2017: HK$254.50 million). The total assets were HK$807.30 million as at 30 June 2018 (31 December 2017: HK$633.50 million).

The Group recorded net current assets of HK$232.96 million as at 30 June 2018 (31 December 2017: HK$147.65 million), inventories decreased from HK$12.79 million as at 31 December 2017 to HK$12.35 million as at 30 June 2018. The current ratio is 1.6 times as at 30 June 2018 (31 December 2017: 1.6 times) calculated based on the current assets of HK$652.83 million as at 30 June 2018 (31 December 2017: HK$393.45 million) over the current liabilities of HK$419.87 million as at 30 June 2018 (31 December 2017: HK$245.81 million).

As at 30 June 2018, the issued share capital of the Company were 1,059,749,920 shares (31 December 2017: 1,059,749,920 shares) of HK$0.01 each.

FOREIGN EXCHANGE RISKS

The Group's operations conducted in the PRC are mainly settled in Renminbi while wine trading billings are mainly settled in Euro, Sterling Pound, Singapore dollars and Hong Kong dollars. Asset management operations and securities trading and investments are conducted in Hong Kong dollars and US dollars. 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 but will continue to closely monitor and manage its exposure to foreign exchange rates fluctuations and will consider engaging hedging instruments as and when appropriate.

PROSPECTS FOR THE YEAR 2018 AND DEVELOPMENT PLAN

As the Group has obtained licenses for conducting type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinances in May 2018, it is expected that more resources will be allocated to asset management business and the investment in fixed income financial instruments and the Company will explore investment opportunities in favourable equity investments. Our asset management team will provide asset management services and investment advisory services to qualified corporate and individual professional investors.

Further, the Group will carry on business in the provision of business consultation and advisory service, including but not limited to the provision of due diligence, merger and acquisition and consultancy services in the PRC.

The Group will evaluate carefully its present investment portfolios and future investment opportunities and adjust its investment portfolios and investment directions in view of the changing market environment under the context of interest rate rise, monetary control policies implemented by the Central Government of the PRC and the escalating trade tensions between the PRC and United States of America.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Period, the Group did not have any material acquisition and disposal of subsidiaries.

DIVIDEND

No dividends were paid, declared or proposed during the Period (six months ended 30 June 2017: Nil). The Board did not recommend any dividend payment for the Period (six months ended 30 June 2017: Nil).

PLEDGE OF ASSETS

As at 30 June 2018, financial instruments with face value of HK$78.46 million were pledged by the Group as collateral for a loan of the Group of HK$39.82 million in a repurchase agreement with a financial institution.

CONTINGENT LIABILITIES

As at 30 June 2018, the Directors are not aware of any material contingent liabilities (As at 30 June 2017: Nil).

EMPLOYEE POLICY

As at 30 June 2018, the Group employed 5 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 its duties of determining Directors' service contracts, reviewing Directors' and senior management's emoluments and awarding discretionary bonuses to the remuneration committee of the Company.

DISCLOSURE OF OTHER INFORMATION

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

CORPORATE GOVERNANCE

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.

Code Provision D.1.4 stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. Mr. Fei John Xiang, the newly appointed independent non-executive director, has entered into a service contract with the Company for his appointment as a director of the Company on 18 May 2018.

Code Provision A.4.1 stipulated that non-executive directors shall be appointed for a specific term and be subject to re-election. The appointment of Mr. Lam Man Sum Albert ("Mr. Lam") as an independent non-executive director of the Company is not subject to a specific term of office, which constitutes a deviation from Code Provision A.4.1. However, all the independent non-executive directors and non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association. As such, the board of directors of the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those of the Code. Mr. Lam retired as an independent non-executive Director at the AGM and ceased to be an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company with effect from 7 May 2018 (after the conclusion of the AGM).

Under the Code Provision A.6.7, all independent non-executive directors and non-executive directors should attend general meetings of the Company and develop a balanced understanding of shareholders' view. For the annual general meeting held on 7 May 2018, Mr. Du Peng, Mr. Chang Tat Joel and Mr. Tso Siu Lun Alan were unable to attend due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiries of all directors of the Company, they all confirmed that they have complied with the required standard set out in the Model Code during the Period.

AUDIT COMMITTEE

The interim results for the Period have been reviewed by the audit committee of the Company. The audit committee currently comprises four independent non-executive directors of the Company, namely Mr. Chang Tat Joel (Chairman), Mr. Wong Stacey Martin, Mr. Tso Siu Lun, Alan and Mr. Fei John Xiang.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement was published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) and the Company's website (www.oci-intl.com). The 2018 interim report will be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company in due course.

APPRECIATION

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

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

Hong Kong, 31 August 2018

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

Executive Directors:
Mr. Feng Hai *(Chairman)*
Mr. Li Yi *(Chief Executive Officer)*
Ms. Xiao Qing *(Chief Operating Officer)*
Ms. Chan Mee Sze

Non-executive Directors:
Mr. Du Peng
Ms. Zheng Xiaosu

Independent Non-executive Directors:
Mr. Chang Tat Joel
Mr. Wong Stacey Martin
Mr. Tso Siu Lun Alan
Mr. Fei John Xiang