

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

(HK\$'000)

	2020	2019	Change in %
Revenue	126,834	101,521	24.9%
Gross Profit	73,931	92,091	(19.7%)
Net profit (loss) from operations	10,912	(61,137)	N/A
Net loss for the year	(19,599)	(97,428)	79.9%
Earnings before interest, tax, depreciation and amortization (EBITDA)	17,194	(55,194)	N/A
Loss per share			
– basic (HK cents)	(1.69)	(9.14)	81.5%
Total Asset	956,622	923,412	3.6%
Net Asset	495,004	229,153	116.0%

Revenue increased by approximately 24.9% to HK\$126.83 million (2019: HK\$101.52 million), mainly due to the increase of asset management income for the year. However, the gross profit for the year decreased by 19.7% to HK\$73.93 million (2019: HK\$92.09 million) since a higher commission cost was recorded for the asset management segment.

Profit from operations for the year turned around from loss to profit of HK\$10.91 million (2019: Loss HK\$61.14 million), mainly due to the amount accounted for impairment losses on financial assets decreased substantially to HK\$17.04 million as compared to HK\$116.93 million for the year 2019. For the same token, loss for the year decreased from HK\$97.43 million for the year 2019 to HK\$19.60 million for the year 2020, and the EBITDA also turned around from loss to profit of HK\$17.19 million (2019: Loss HK\$55.19 million).

Loss per share (basic) attributable to owner of the company was reduced from HK9.14 cents for the year 2019 to HK1.69 cents for the year 2020.

The board of directors (the “Board”) of OCI International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 (the “Year”) together with the comparative figures for the corresponding year in 2019 as follows:

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020**

(Expressed in Hong Kong dollars)

	Note	2020 HK\$'000	2019 HK\$'000
<i>Revenue</i>	4		
Revenue from asset management		66,751	35,195
Revenue from investment and financial advisory services		1,128	312
Sales of goods		8,469	6,870
Income from securities trading and investments		50,486	59,144
		126,834	101,521
Cost of sales and services rendered		(52,903)	(9,430)
		73,931	92,091
Other income	5	1,344	1,078
Selling and distribution costs		(16)	(112)
General and administrative expenses		(47,306)	(37,263)
Impairment losses on financial assets		(17,041)	(116,931)
Profit (loss) from operations		10,912	(61,137)
Finance costs	6(a)	(29,278)	(31,127)
Share of loss of joint venture		–	(760)

	Note	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before taxation	6	(18,366)	(93,024)
Income tax expenses	7	<u>(1,233)</u>	<u>(4,404)</u>
Loss for the year		<u>(19,599)</u>	<u>(97,428)</u>
Attributable to:			
Equity shareholders of the Company		(19,556)	(96,897)
Non-controlling interests		<u>(43)</u>	<u>(531)</u>
Loss for the year		<u>(19,599)</u>	<u>(97,428)</u>
Loss per share	9		
– Basic and diluted		<u>HK(1.69) cents</u>	<u>HK(9.14) cents</u>
Loss for the year		(19,599)	(97,428)
Other comprehensive expenses			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(384)</u>	<u>(280)</u>
Total comprehensive expenses for the year		<u>(19,983)</u>	<u>(97,708)</u>
Attributable to:			
Equity shareholders of the Company		(19,940)	(97,177)
Non-controlling interests		<u>(43)</u>	<u>(531)</u>
Total comprehensive expenses for the year		<u>(19,983)</u>	<u>(97,708)</u>

Consolidated Statement of Financial Position
(Expressed in Hong Kong dollars)

	Note	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Non-current assets			
Property, plant and equipment		11,716	17,738
Debt investments at amortised cost	10	25,535	140,226
Rental deposits		2,116	2,116
		<u>39,367</u>	<u>160,080</u>
Current assets			
Inventories		5,646	12,324
Trade receivables	11	7,763	2,788
Deposits, prepayments and other receivables		26,025	17,293
Tax recoverable		872	–
Debt investments at amortised cost	10	110,793	78,468
Financial assets at fair value through profit or loss	12	428,146	550,332
Pledged bank deposits		249,535	–
Deposits with banks with original maturity date over three months		–	21,360
Cash and cash equivalents		88,475	80,767
		<u>917,255</u>	<u>763,332</u>
Current liabilities			
Contract liabilities		12,675	15,700
Accruals and other payables		14,915	8,610
Obligations under repurchase agreements		77,525	105,170
Borrowings		341,060	542,775
Lease liabilities		5,807	5,531
Current taxation		3,993	4,946
		<u>455,975</u>	<u>682,732</u>
Net current assets		<u>461,280</u>	<u>80,600</u>
Total assets less current liabilities		500,647	240,680
Non-current liability			
Lease liabilities		5,643	11,527
NET ASSETS		<u>495,004</u>	<u>229,153</u>

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
CAPITAL AND RESERVES		
Share capital	14,998	10,598
Reserves	<u>480,006</u>	<u>219,265</u>
Total equity attributable to equity shareholders of the Company	495,004	229,863
Non-controlling interests	<u>–</u>	<u>(710)</u>
TOTAL EQUITY	<u>495,004</u>	<u>229,153</u>

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	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 2019	10,598	217,190	247	–	99,005	327,040	(179)	326,861
Changes in equity for 2019:								
Loss for the year	–	–	–	–	(96,897)	(96,897)	(531)	(97,428)
Other comprehensive expenses for the year	–	–	(280)	–	–	(280)	–	(280)
Total comprehensive expenses	–	–	(280)	–	(96,897)	(97,177)	(531)	(97,708)
Balance at 31 December 2019	<u>10,598</u>	<u>217,190</u>	<u>(33)</u>	<u>–</u>	<u>2,108</u>	<u>229,863</u>	<u>(710)</u>	<u>229,153</u>
Balance at 31 December 2019 and 1 January 2020	10,598	217,190	(33)	–	2,108	229,863	(710)	229,153
Changes in equity for 2020:								
Loss for the year	–	–	–	–	(19,556)	(19,556)	(43)	(19,599)
Other comprehensive expenses for the year	–	–	(384)	–	–	(384)	–	(384)
Total comprehensive expenses	–	–	(384)	–	(19,556)	(19,940)	(43)	(19,983)
Issuance of shares	4,400	281,600	–	–	–	286,000	–	286,000
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	–	(919)	–	(919)	753	(166)
Balance at 31 December 2020	<u>14,998</u>	<u>498,790</u>	<u>(417)</u>	<u>(919)</u>	<u>(17,448)</u>	<u>495,004</u>	<u>–</u>	<u>495,004</u>

Notes to the Financial Statements

1. GENERAL

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, asset management, provision of investment and financial advisory services and trading of wines.

The 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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

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. Other than the amendment to HKFRS 16, 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, trading of wines and securities trading and investments.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Asset management	66,751	35,195
– Investment and financial advisory services	1,128	312
– Trading of wines	8,469	6,870
	76,348	42,377
Revenue from other sources		
Income from debt investments:		
– Interest income from debt investments at amortised cost	15,326	17,704
– Income from debt investments at fair value through profit or loss	26,087	23,740
	41,413	41,444
Change in fair value of financial assets at fair value through profit or loss	2,801	10,795
Dividend income	6,240	397
Gain on disposal of debt investments at amortised cost	1,447	2,552
(Loss) gain on disposal of financial assets at fair value through profit or loss	(1,415)	3,956
	50,486	59,144
Total	126,834	101,521

(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 resources 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

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 resources allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

For the year ended 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 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers:					
– At a point in time	–	–	–	8,469	8,469
– Over time	66,751	1,128	–	–	67,879
	66,751	1,128	–	8,469	76,348
Revenue from other sources	–	–	50,486	–	50,486
Reportable segment revenue	<u>66,751</u>	<u>1,128</u>	<u>50,486</u>	<u>8,469</u>	<u>126,834</u>
Segment profit (loss)	<u>5,583</u>	<u>–</u>	<u>23,344</u>	<u>(2,952)</u>	25,975
Other income					1,344
Unallocated corporate and other expenses					(16,407)
Finance costs					<u>(29,278)</u>
Loss before taxation					(18,366)
Income tax expenses					<u>(1,233)</u>
Loss for the year					<u>(19,599)</u>

For the year ended 31 December 2019

	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 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers:					
– At a point in time	–	–	–	6,870	6,870
– Over time	<u>35,195</u>	<u>312</u>	<u>–</u>	<u>–</u>	<u>35,507</u>
	35,195	312	–	6,870	42,377
Revenue from other sources	<u>–</u>	<u>–</u>	<u>59,144</u>	<u>–</u>	<u>59,144</u>
Reportable segment revenue	<u>35,195</u>	<u>312</u>	<u>59,144</u>	<u>6,870</u>	<u>101,521</u>
Segment (loss) profit	<u>27,036</u>	<u>–</u>	<u>(69,730)</u>	<u>(2,589)</u>	(45,283)
Other income					586
Unallocated corporate and other expenses					(18,960)
Share of loss of joint venture					(760)
Finance costs					<u>(28,607)</u>
Loss before taxation					(93,024)
Income tax expenses					<u>(4,404)</u>
Loss for the year					<u>(97,428)</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, share of loss of joint venture and unallocated corporate and other expenses. This is the information reported to the CODM for the purposes of resources allocation and performance assessment.

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	184	588
Government grants (note (i))	1,150	–
Sundry income	10	490
	<u>1,344</u>	<u>1,078</u>

Note

- (i) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidized period and to spend all the funding on paying wages to the employees.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging (crediting):

(a) Finance costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	4,814	5,897
Interest on other borrowings	15,025	17,047
Interest on lease liabilities	629	855
Other borrowing costs	8,810	7,328
	<u>29,278</u>	<u>31,127</u>

(b) Staff costs

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Directors' emoluments		
– fees and other emoluments	2,139	4,155
Other staff costs		
– salaries, allowances and bonus	15,153	17,446
– retirement benefits scheme contributions	507	489
	<u>17,799</u>	<u>22,090</u>

(c) **Other items**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation charge		
– owned property, plant and equipment	557	1,136
– right-of-use assets	5,725	5,567
	6,282	6,703
Impairment losses		
– debt investments	16,803	112,732
– trade and other receivables	238	4,199
	17,041	116,931
Auditors' remuneration		
– audit services	1,296	1,296
– other services	170	450
	1,466	1,746
Legal and professional expenses	9,058	8,110
Reversal of provision for litigations	–	(5,684)
Reversal of provision for staff bonus	–	(10,433)
Commission fee relating to asset management business	43,125	3,000
Cost of inventories	9,778	6,430

7. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Provision for the year	1,233	4,610
– Over-provision in respect of prior years	–	(206)
	1,233	4,404

- (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) For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

8. DIVIDENDS

The Board does not recommend any dividend payment for the year (2019: Nil).

9. BASIC AND DILUTED LOSS PER SHARE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss attributable to equity shareholders of the Company	<u>(19,556)</u>	<u>(96,897)</u>
Weighted average number of ordinary shares in issue	<u>1,154,722,598</u>	<u>1,059,749,920</u>

Basic loss per share was calculated as the loss for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

There were no dilutive potential ordinary shares during the years ended 31 December 2020 and 2019, and therefore, diluted loss per share are the same as the basic loss per share.

10. DEBT INVESTMENTS AT AMORTISED COST

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Corporate debt securities	289,145	354,708
Receivable under a loan facility	<u>31,000</u>	<u>31,000</u>
	320,145	385,708
Less: Loss allowance	<u>(183,817)</u>	<u>(167,014)</u>
Total debt investments at amortised cost, net of loss allowance	<u>136,328</u>	<u>218,694</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed for reporting purpose, net of loss allowance		
– Non-current portion	25,535	140,226
– Current portion	<u>110,793</u>	<u>78,468</u>
	<u>136,328</u>	<u>218,694</u>

11. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade debtors in respect of wine trading	487	1,934
Fees receivable from asset management	7,276	1,409
	<u>7,763</u>	<u>3,343</u>
Less: Allowance for doubtful debts	–	(555)
	<u>7,763</u>	<u>2,788</u>

Ageing analysis

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 60 days	7,276	2,088
61 to 90 days	–	–
91 to 180 days	280	–
181 to 365 days	207	700
	<u>7,763</u>	<u>2,788</u>

The Group allows an average credit period from 90 to 120 days (2019: 90 to 120 days) to its trade customers in respect of wine trading and a credit period of 30 days to its customers in respect of asset management.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
US Dollar bond linked notes	143,247	134,347
Corporate debt securities	119,202	247,842
Investment fund	165,697	168,143
	<u>428,146</u>	<u>550,332</u>
Total financial assets at fair value through profit or loss	<u>428,146</u>	<u>550,332</u>

BUSINESS REVIEW

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

During the year ended 31 December 2020 (the “Year Under Review”), the Group’s investment team continues to achieve satisfactory results in managing the Group’s public offering bond investments. After Type 4 (advising on securities) and Type 9 (asset management) licenses issued by the Securities and Future Commission of Hong Kong (the “SFC”) were granted to the Group in May 2018, the Group commenced its asset management business and earned revenue in this segment through providing asset management and financial and investment advisory services through the expertises of the Group’s investment team. The asset management business and the financial advisory business target high-net-worth individuals and institutional investors. The high-net-worth individuals are individuals or corporations that have high risk appetite and possess assets which worth over US\$1 million, while the institutional investors comprise banks, financial institutions, asset management companies and other investment companies. Over the past two years, assets under management (AUM) managed by the Group 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 AUM as at 31 December 2019. However, our wine trading business suffered drawback in the first half of 2020 due to outbreak of the COVID-19 pandemic.

The Group recorded total revenue of HK\$126.83 million for the Year Under Review (year ended 31 December 2019: HK\$101.52 million). The increase in revenue was mainly due to increase in turnover from asset management operation. The consolidated net loss of HK\$19.60 million was incurred by the Group for the Year Under Review (year ended 31 December 2019: HK\$97.43 million). The consolidated losses from operations were mainly due to the impairment losses in relation to the fixed income investment in the senior secured guaranteed notes issued by Rundong Fortune Investment Limited, Sanpower (Hong Kong) Company Limited and the guaranteed bonds issued by CFLD (Cayman) Investment Ltd. amounting to HK\$2.42 million, HK\$1.31 million and HK\$13.07 million respectively (year ended 31 December 2019: HK\$87.75 million, HK\$25.84 million and HK\$Nil).

Asset Management Services

The Group carries on its asset management business through providing a range of asset management services and investment advisory services to qualified corporate and financial institutional professional investors under Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the SFC. The strategy of developing our asset management business mainly focuses on management of private equity funds and bond funds. The Group has launched the open-ended US Dollar Debt Fund at the initial size of US\$15 million as our seed investment during the Year Under Review aiming to provide a platform for proprietary investment in public offering bonds for potential investors. The fund is managed by our asset management subsidiary, OCI Asset Management Company Limited.

As at 31 December 2020, the asset management subsidiary is engaged in management of 6 funds including the US Dollar Debt Fund mentioned above with fund size varying from US\$5 million to US\$687.7 million. The number of customers increased from 7 to 11. Asset management income of HK\$66.75 million was recorded for the Year Under Review (year ended 31 December 2019: HK\$35.20 million). As at the date of the announcement, the number of funds managed by the asset management subsidiary increased to 8, the AUM managed by the Group increased to US\$884.5 million and the number of customers increased to 20.

Investment and Financial Advisory Services

Our investment advisory services mainly relate to advising US dollar debts related investments. As at 31 December 2020, the asset management subsidiary is engaged in advising 3 funds with fund size from US\$9.6 million to US\$140.32 million.

Investment advisory services fee amounting to HK\$1.13 million was recorded as income for the Group for the Year Under Review (year ended 31 December 2019: HK\$0.31 million).

Wine Trading

The sales performance of wine trading was affected by the economic slump induced by the COVID-19 pandemic prevention and control measures like entry restrictions, compulsory quarantine for inbound travelers; social distancing practices and restrictions on group gathering, which have had hindered most of consumption activities during the Year Under Review with a turnover of HK\$8.47 million (year ended 31 December 2019: HK\$6.87 million). Loss attributable to this business segment amounted to HK\$2.95 million for the Year Under Review (year ended 31 December 2019: HK\$2.59 million).

During the Year Under Review, we worked on enlarging the customer base and to reduce the reliance on the high-end customer group through expanding our wine product portfolio to a boarder price range to capture the demand of the younger customer demographics. Upon the request of customers, the Group will also procure other types of wine or liquor, including but not limited to champagne, dessert wine, white wine and whiskey for the customers. The Group is conducting its sales through three channels: (i) direct sales; (ii) online sales; and (iii) wholesale.

In anticipation of a rebound of economy after the COVID-19 pandemic is under control when vaccines against the disease are available globally, the Group is going to strengthen its inventories and expand the marketing for wine trading operation for the year 2021. In the meantime, the Group will explore opportunity of developing trading of other beverage products like premium Chinese tea leaf. Once the existing COVID-19 related restrictions on group gathering are lifted, the Group plans to organise wine events or cooperate with other organisations to organise wine tasting workshops to introduce and promote our wine products. In addition, we will participate in large-scale international wine exhibition or wine fair to promote our wine trading business.

Fund Investment

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\$156 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 2020 (“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 31 December 2020, the fair value of the fund investment was HK\$165.70 million (31 December 2019: HK\$168.14 million), representing 17.3% of the total asset of the Group (31 December 2019: 18.2%).

The Group launched a US dollar debt fund (the “US Dollar Debt Fund”) in February 2020 through injection of two 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 closely monitors 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 obtain interest return. 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.

Securities Trading and Investments

After disposal of the entire listed equity securities investment during the year 2019, the Group focus on investing in fixed income products in 2020. Dividend income, income from debt investments, gain or loss on disposal of financial assets, and the change in fair value of the financial assets recognised under this segment for the Year Under Review amounted to HK\$50.49 million (year ended 31 December 2019: HK\$59.14 million). Profit attributed to this business segment amounted to HK\$23.34 million (year ended 31 December 2019: Loss HK\$69.73 million), the increase in profit for this segment was mainly due to the impairment losses on fixed income investment notes reduced to HK\$17.39 million (year ended 31 December 2019: HK\$116.38 million).

Fixed Income Products

The key factors considered by the Group when making the investment decisions 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 in association with the fixed income products; (iv) the terms of the fixed income products; (v) any guarantor or collaterals in association with the fixed income products; (vi) leverage which can be applied in the fixed income products; (vii) the economic environment; and (viii) government policies.

The Group obtains leverage on the fixed income products through entering into financial arrangements with financial institutions through US dollar bond linked notes and repurchase agreements. Through these arrangements, the Company only needs to pay part of the market value of the underlying assets as upfront payment, upon maturity, the Company will receive the return of the underlying asset net of the pre-agreed funding cost.

As at 31 December 2020, the Group held interests in the following debt securities which are recognised 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.HK). 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. During the Year Under Review, 5,491,000 RD Charged Shares was disposed in open market for cash return of HK\$4.50 million. The total exposure as at 31 December 2020 was HK\$108.14 million (31 December 2019: HK\$113.21 million) after amounts recovered from the sale of part of the collateral.

The legal proceedings between the Group against the RD Charged Share Purchasers is still in progress. During the Year Under Review, the Company attended the mediation but no agreement was reached with the RD Charged Share Purchasers.

As at 31 December 2020, the carrying amount of the RD Note was HK\$17.98 million (31 December 2019: HK\$25.46 million), after a provision for impairment loss as at 31 December 2020 of HK\$90.17 million (31 December 2019: HK\$87.75 million), representing 1.9% of the consolidated total assets of the Group (31 December 2019: 2.8%).

Valuation of the carrying amount of the RD Note was based on the average month end closing price of the 4th quarter of 2020 of 70,490,000 China Rundong Charged Shares (31 December 2019: 75,981,000) that secured the RD Note of HK\$0.36 per share (31 December 2019: HK\$0.46) and a lack of marketability discount of 30% (31 December 2019: 27%) was applied.

- (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.HK). 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 31 December 2020 was HK\$100.78 million (31 December 2019: HK\$101.28 million).

As at 31 December 2020, the carrying amount of the SP Note was HK\$20.24 million (31 December 2019: HK\$22.04 million), after a provision for impairment loss as at 31 December 2020 of HK\$80.55 million (31 December 2019: HK\$79.24 million), representing 2.1% of the consolidated total asset of the Group (31 December 2019: 2.4%).

Valuation of the carrying amount of the SP Note was based on the average month end closing price of the 4th quarter of 2020 of 131,000,000 C.banner Shares (31 December 2019: 131,000,000) that secured the SP Note of HK\$0.22 per share (31 December 2019: HK\$0.24) and a lack of marketability discount of 30% (31 December 2019: 20%).

- (iii) US\$0.40 million (face value) of 5.7% guaranteed bonds issued by Shangrao Investment Holding Group Co., Limited maturing on 14 February 2021 (“SIH Note”). The investment cost of the SIH Note was HK\$3.04 million.

As at 31 December 2020, the fair value of the SIH Note was HK\$3.12 million (31 December 2019: HK\$3.20 million). The interest and principal was received upon the maturity date.

- (iv) US\$15 million (face value) of 6.8% guaranteed notes issued by Huaxin Pharmaceutical (Hong Kong) Co., Limited maturing on 15 March 2021 (“HX Note”), of which US\$10 million are subject to a Repo arrangement between the Group and Haitong International Financial Solutions Limited (“HIFSL”). Based on the offering circular of the HX Note, the Huaxin Pharmaceutical (Hong Kong) Co., Limited has not engaged, since its incorporation, in any material activities other than those relating to the issue of the HX Note and the on-lending of the proceeds thereof to Taizhou Huaxin Pharmaceutical Investment Co., Ltd. or its subsidiaries; whereas Taizhou Huaxin Pharmaceutical Investment Co., Ltd is a state-owned enterprise and its subsidiaries are operating in the industry of sales and distribution of pharmaceutical products. The investment cost of HX Note was HK\$113.48 million. The interest income for the Year Under Review was HK\$8.02 million (31 December 2019: HK\$5.71 million).

As at 31 December 2020, the fair value of the HX Note was HK\$116.08 million (31 December 2019: HK\$113.41 million), representing 12.1% of the consolidated total asset of the Group (31 December 2019: 12.3%). The interest and principal was received upon the maturity date.

US Dollar Debt Fund

As at 31 December 2020, 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. Carrying 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 31 December 2020 are as follows:

- (i) US\$0.88 million (face value) of 7% fixed rate bond issued by Easy Tactic Limited maturing on 25 April 2021 (“ET Note”);
- (ii) US\$2.69 million (face value) of 9% guaranteed 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 31 December 2020, the carrying amount of the CFLD Note was HK\$8.41 million (31 December 2019: HK\$Nil), after a provision for impairment loss from expected credit loss assessment as at 31 December 2020 of HK\$13.07 million (31 December 2019: HK\$Nil).

- (iii) 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”);
- (iv) US\$0.5 million (face value) of 6.875% guaranteed senior note issued by Logan Property Holdings Limited maturing on 24 April 2021 (“LP Note”);
- (v) US\$1.45 million (face value) of 7.85% senior unsecured note issued by Times China Holdings Limited maturing on 4 June 2021 (“TC Note”);
- (vi) US\$1 million (face value) of 7.5% senior note issued by China Aoyuan Property Group Limited maturing on 10 May 2021 (“CAP 2021 Note”);
- (vii) US\$0.5 million (face value) of 7.875% senior notes issued by KWG Group Holdings Limited maturing on 9 August 2021 (“KWG Note 2”); and
- (viii) US\$2 million (face value) of 6.35% senior notes issued by China Aoyuan Property Group Limited maturing on 8 February 2024 (“CAP 2024 Note”).

The carrying amount of the US Dollar Debt Fund is HK\$72.94 million as at 31 December 2020 whereas the interest income of HK\$6.28 million (31 December 2019: HK\$Nil) was included in the financial result for the Year Under Review.

US dollar bond linked notes

Brief information on the US dollar bond linked notes held by the Group as at 31 December 2020 are 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\$5.35 million, equivalent to HK\$41.50 million, representing 4.3% of the consolidated total assets of the Group as at 31 December 2020 (31 December 2019: US\$5.57 million, equivalent to HK\$43.43 million, representing 4.7% 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\$1.93 million and interest amount received of HK\$4.44 million (31 December 2019: Fair value gain of HK\$3.20 million and interest amount received of HK\$4.47 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.HK) 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.

Date of announcement**12 October 2018 and 18 October 2018**

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.HK)), 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.

Date of announcement	25 May 2020
Brief nature of the financial instrument in which the Group invested	A guaranteed note (“GJ Note 3”) 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\$12.18 million, equivalent to HK\$94.43 million
Fair value	US\$13.12 million, equivalent to HK\$101.75 million, representing 10.6% of the consolidated total assets of the Group as at 31 December 2020 (31 December 2019: HK\$Nil)
Note Issuer	Guotai Junan Financial Products Limited (“GJ”)
Guarantor	Guotai Junan International Holdings Limited
Coupon	Zero
Investment income	Fair value gain of HK\$4.59 million and interest amount received of HK\$7.51 million (31 December 2019: Fair value gain of HK\$Nil and interest amount received of HK\$Nil)
Reference bond in the Bond Portfolio	<ol style="list-style-type: none"> US\$10 million of the 6.5% guaranteed senior notes issued by New Metro Global Limited due on 20 May 2022 (“NM Notes”). As at 25 May 2020, the market value of this reference bond was US\$9.93 million. New Metro Global Limited is a special purpose vehicle incorporated for bond issues. Its obligation under the NM Notes are guaranteed by Seazen Holdings Co., Ltd. US\$10 million of the 5.75% bonds issued by Guangxi Financial Investment Group Co., Ltd. due on 23 January 2021 (“GX Note”). As at 25 May 2020, the market value of this reference bond was US\$9.65 million.

Guangxi Financial Investment Group Co., Ltd through its subsidiaries is principally engaged in the provision of micro and small loans, credit guarantees, property insurance, financial leasing and other businesses. Including asset management, venture investment and urban construction.

3. US\$10 million in principal amount of the 6.875% guaranteed notes issued by Logan Property Holdings Company Limited (“LP Note”) due on 24 April 2021. As at 25 May 2020, the market value of the reference bond was US\$10.18 million.

Logan Property Holdings Company Limited is a company listed on the Stock Exchange (stock code: 3380.HK) and is an investment holding company principally engaged in property development, property investment and construction in the PRC. Its payment obligations under the LP Note are guaranteed by certain of its subsidiaries.

The portfolio of the GJ Note 3 is linked to the Bond Portfolio with a term of optional restructure in the following manner:

- (a) to substitute all or part of the Cash Asset Amount with a substitute reference bond of a specified notional amount; or
- (b) to substitute all or part of the current nominal amount of a reference bond in the Bond Portfolio with an amount which will constitute Cash Asset Amount.

By making a restructuring proposal, the Company is deemed to have acknowledged that GJ has the sole and absolute discretion to adjust the hedging arrangement to reflect a restructuring request and the adjustments made by GJ may differ from the requests of the Company and are final, conclusive and binding on the Company.

For the avoidance of doubt, following any restructure and from and including the relevant restructure date, the aggregate financing amount shall remain unchanged.

Cash Asset Amount means the synthetic amount in USD in the Bond Portfolio that is not invested in the reference bonds, subject to any adjustment. On the issue date of GJ Note 3, the Cash Asset Amount was zero.

Amount payable by the
note issuer on redemption

On redemption upon maturity being 28 May 2021 or earlier due to an early termination event (which includes drop in market value, and default of the reference bond) the amount payable by GJ is to be calculated by a pre-agreed formula that can be summarised as follows:

- a) The aggregate of market value of the reference bonds realised by GJ or its affiliate; less aggregate financing amount together with the finance costs for the relevant Year Under Review; plus aggregate cash distribution unpaid to the noteholder.
- b) In case of early redemption, cost and expenses incurred by GJ and/or affiliates in connection with the redemption of the GJ Note 3.

In the worst case scenario, for example, when market value of the reference bond drops to zero and/or GJ 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

The subscription is essentially an extension of the financing arrangement under the GJ Note 2 (announced on 2 July 2020), which enables the Group to continue to benefit from the leverage from the Note Issuer at lower interest rate in its indirect investment in the reference bonds in the Bond Portfolio without paying the full market value of those reference bonds. It is expected that the Group can earn the potential return through distribution by the Note Issuer during the term of the GJ Note 3 and upon redemption based on returns from the reference bonds (in the absence of default or a significant reduction of market value of the reference bonds) while the amount of investment made in the GJ Note 3, is less than the face value of the reference bonds. Under the terms of the GJ Note 3, the Group is also allowed to substitute, subject to the consent of Note Issuer, the reference bonds on or before its maturity date with any other reference bond not in the Bond Portfolio. Having considered the credit rating of the reference bond issuer and the creditability of GJ and the 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 GJ Note 3 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 GJ Note 3.

Equity Securities

The Group did not re-activate its listed securities investment portfolio during the Year Under Review in view of the downturn of the market sentiment due to the outbreak of the COVID-19 pandemic after the Group disposed of the entire listed securities investment portfolio to cut losses on stocks with adverse performance in the last quarter of 2019. Hence, there is no turnover and income or loss for the Year Under Review from listed securities investment (year ended 31 December 2019: realised loss of HK\$4.48 million) and there is no dividend income from listed equity investment for the Year Under Review (year ended 31 December 2019: HK\$0.40 million).

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 31 December 2020, the Group had two fixed-rate, unsecured revolving facilities of US\$100 million each. 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 31 December 2020 amounted to US\$12 million and US\$12 million respectively. In addition, the Group was granted a one-year secured term loan of HK\$155 million from a local bank with a deposit account pledged.

The gearing ratio of the Group as at 31 December 2020 is 86.9% (31 December 2019: 289.3%), calculated based on total borrowings (including borrowings, obligations under Repo and lease liabilities) of HK\$430.04 million (31 December 2019: HK\$665.00 million) divided by shareholders' equity of HK\$495.00 million (31 December 2019: HK\$229.86 million) as at that date.

The Group's bank balances and cash as at 31 December 2020 amounted to HK\$338.01 million (31 December 2019: HK\$102.13 million). Its total assets as at the same date were HK\$956.62 million (31 December 2019: HK\$923.41 million).

The Group recorded net current asset of HK\$461.28 million (31 December 2019: HK\$80.60 million) and inventories decreased from HK\$12.32 million as at 31 December 2019 to HK\$5.65 million as at 31 December 2020. The current ratio of 2.0 times (31 December 2019: 1.1 times) is calculated based on the current assets of HK\$917.26 million (31 December 2019: HK\$763.33 million) over the current liabilities of HK\$455.98 million (31 December 2019: HK\$682.73 million).

The issued capital of the Company was increased from HK\$10.60 million as at 31 December 2019 to HK\$15.00 million on 14 October 2020 with the issuance of 440,000,000 ordinary shares under specific mandate to JZ Investment Fund L.P. approved at the extraordinary general meeting held on 8 October 2020. The subscription was completed on 14 October 2020.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

PROSPECTS FOR THE YEAR 2021 AND DEVELOPMENT PLAN

The Group expects the world economy to rebound after the COVID-19 pandemic is under control when vaccines are allowed to be used globally. China will be the leading country in economic recovery from the pandemic since stringent control measures are exercised in China to prohibit the spreading of the disease. Hence, the Group will stay focus on business development in Greater China region.

The Group is confident towards the expansion of asset management business after the new shareholders brought in management team members with prolific professional knowledge and stronger network. Coupled with the support of the original two state-owned enterprise background shareholders, our team has good relationships with most of the financial institutions in this field and can provide customers with appropriate investment goals. More proactively managed funds will be established this year. As China has achieved a slight positive GDP growth for the year 2020 (on the basis of being “first in, first out” on coronavirus) while all other major economies recorded substantial fall in 2020, we will continue to invest in projects in China. In addition to invest in fixed-income financial products issued by large state-owned enterprises or companies operating in various fields, the Group are also exploring the establishment of proactively managed industrial funds.

The Group has submitted application for Type 1 License (Dealing in securities) to SFC in early February 2021. With the success of the application, synergy is expected for the growth of asset management and investment advisory business on top of the additional new business.

For wine trading business, the Group has established alliance with a reputable distributor for sale of premium wine. Meanwhile, the Group is strengthening our online trading through improving our online sales platform. The Group will also extend wine trading to other categories of wine and more resources are allocated to increase the manpower of the wine marketing and back-up team as well as advertising and promotion. The Group will explore opportunity to develop trading of other beverage product like premium Chinese tea leaf with the introduction of suppliers from the enhanced management team. Up to the date of this announcement, the present sales performance of the wine trading section is better than expectation.

The 14th Five-Year Plan (the “Plan”) sets out the vision for China’s development in the next five years and through to 2035. The Plan puts the strongest focus yet on technology and innovation, calling for self-reliance in science and technology in support of national development. The Plan also formalises the principle of “dual circulation” economic development and highlights the importance of “domestic cycle” economic growth towards long term national development. Proactive measures to boost domestic demand and support consumer spending bode well for retail sector ahead, with positives for the retail, e-commerce and logistics real estate markets.

Real estate firms, meanwhile, are braced for an extended era of state oversight and financial regulatory scrutiny, thwarting business expansion potential for smaller firms and leading to further consolidation within the industry. As well, real estate firms must prepare to upgrade their residential product offerings and property management capabilities in response to the rising consumer demands and expectations. Hence, the Group will explore possibilities in investment in developing businesses with high potential of rapid growth and with capacity to create added-value services in this field.

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 Year Under Review (year ended 31 December 2019: Nil). The Board did not recommend any dividend payment for the Year Under Review (year ended 31 December 2019: Nil).

PLEDGE OF ASSETS

As at 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 and as at 31 December 2019, no secured borrowings were reported.

CAPITAL COMMITMENTS

As at 31 December 2020, no capital commitments were reported (31 December 2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020 and 31 December 2019, the Directors are not aware of any material contingent liabilities.

EMPLOYEE POLICY

As at 31 December 2020, the Group employed 24 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year Under Review, 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 Year Under Review as set out in Appendix 14 to the Listing Rules.

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 22 May 2020 and the extraordinary general meeting held on 8 October 2020, none of the directors were unable to attend.

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 Year Under Review.

AUDIT COMMITTEE

The annual financial results for the Year Under Review have been reviewed by the audit committee of the Company. The audit committee comprises four Independent non-executive Directors of the Company, namely Mr. Chang Tat Joel, Mr. Tso Siu Lun Alan, Mr. Fei John Xiang and Mr. Li Xindan.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2020 have been agreed by the Group’s auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL 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 2020 annual 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 despatched 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, 25 March 2021

As at the date of this announcement, the Directors are Mr. Jiao Shuge (Chairman), Mr. Wu Guangze (Chief Executive Officer), Mr. Feng Hai, Mr. Wei Bin, Ms. Zheng Xiaosu*, Mr. Chang Tat Joel**, Mr. Tso Siu Lun Alan**, Mr. Fei John Xiang** and Mr. Li Xindan**.*

** Non-executive Director*

*** Independent non-executive Director*