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OCI International Holdings Limited

東建國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 329)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “Board”) of OCI International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 (“Period”) together with the comparative figures for the corresponding period in 2021 as follows:

**Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2022**

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<i>Revenue</i>	4		
Revenue from asset management		25,692	34,731
Revenue from investment and financial advisory services		473	2,224
Sales of goods		15,053	32,919
(Loss) income from securities trading and investments		(31,542)	1,791
		9,676	71,665
Cost of sales and services rendered		(18,928)	(37,227)
		(9,252)	34,438
Other (losses)/income		(501)	99
Selling and distribution costs		(47)	(11)
General and administrative expenses		(22,124)	(20,282)
Impairment loss on financial assets		(12,019)	(1,807)
(Loss) profit from operations		(43,943)	12,437
Finance costs	5	(4,305)	(6,659)
Share of results of a joint venture		170	–
(Loss) profit before taxation	6	(48,078)	5,778
Income tax	7	(1,569)	(2,671)
(Loss) profit for the period		(49,647)	3,107
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		296	1,543
Total comprehensive (expense) income for the period		(49,351)	4,650

		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
(Loss) profit for the period attributable to:			
Equity shareholders of the Company		(49,647)	3,107
Non-controlling interests		—	—
		<u> </u>	<u> </u>
		(49,647)	3,107
		<u><u> </u></u>	<u><u> </u></u>
Total comprehensive (expense) income for			
the period attributable to:			
Equity shareholders of the Company		(49,351)	4,650
Non-controlling interests		—	—
		<u> </u>	<u> </u>
		(49,351)	4,650
		<u><u> </u></u>	<u><u> </u></u>
(Loss) earnings per share			
Basic and diluted	9	HK(3.31) cents	HK0.21 cents
		<u><u> </u></u>	<u><u> </u></u>

Unaudited Consolidated Statement of Financial Position
At 30 June 2022
(Expressed in Hong Kong dollars)

	Note	At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
Non-current assets			
Interest in joint venture		2,303	–
Property, plant and equipment	10	<u>2,613</u>	<u>5,583</u>
		4,916	5,583
Current assets			
Inventories		12,700	7,293
Trade receivables	12	8,785	9,463
Deposits, prepayments and other receivables		20,802	11,942
Debt investments at amortised cost	11	30,114	51,638
Financial assets at fair value through profit or loss	13	104,410	145,744
Cash and cash equivalents		<u>273,886</u>	<u>313,006</u>
		<u>450,697</u>	<u>539,086</u>
Current liabilities			
Contract liabilities		2,038	9,169
Accruals and other payables		70,271	6,961
Borrowings		50,681	85,768
Provision for post-completion guarantee		–	58,565
Lease liabilities		2,696	5,823
Current taxation		<u>6,485</u>	<u>5,590</u>
		<u>132,171</u>	<u>171,876</u>
Net current assets		<u>318,526</u>	<u>367,210</u>
Total assets less current liabilities		323,442	372,793
Non-current liability			
Lease liabilities		<u>–</u>	<u>–</u>
NET ASSETS		<u>323,442</u>	<u>372,793</u>

	At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
CAPITAL AND RESERVES		
Share capital	14,998	14,998
Reserves	308,444	357,795
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company	323,442	372,793
Non-controlling interests	–*	–
	<hr/>	<hr/>
TOTAL EQUITY	323,442	372,793
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* The balance represents an amount less than HK\$1,000.

Unaudited Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Other reserve	(Accumulated losses) retained earnings	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2021 (audited)	14,998	498,790	(417)	(919)	(17,448)	495,004	-	495,004	
Profit for the period	-	-	-	-	3,107	3,107	-	3,107	
Other comprehensive income for the period	-	-	1,543	-	-	1,543	-	1,543	
Total comprehensive income for the period	-	-	1,543	-	3,107	4,650	-	4,650	
Balance at 30 June 2021 (unaudited)	14,998	498,790	1,126	(919)	(14,341)	499,654	-	499,654	
Balance at 1 January 2022 (audited)	14,998	498,790	(6)	(919)	(140,070)	372,793	-	372,793	
Loss for the period	-	-	-	-	(49,647)	(49,647)	-	(49,647)	
Other comprehensive income for the period	-	-	296	-	-	296	-	296	
Total comprehensive expense for the period	-	-	296	-	(49,647)	(49,351)	-	(49,351)	
Disposal of interests in subsidiary to non-controlling interest	-	-	-	-*	-	-*	-*	-*	
Balance at 30 June 2022 (unaudited)	14,998	498,790	290	(919)	(189,717)	323,442	-*	323,442	

* The balance represents an amount less than HK\$1,000.

NOTES TO THE INTERIM FINANCIAL RESULTS

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standards (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 30 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

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

3. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Asset management	25,692	34,731
– Investment and financial advisory services	473	2,224
– Trading of wines and beverage	15,053	32,919
	<u>41,218</u>	<u>69,874</u>
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Revenue from other sources		
Income from debt investments	2,938	9,319
Change in fair value of financial assets		
at fair value through profit or loss	(36,042)	(12,849)
Dividend income	1,562	7,773
Gain on disposal of debt investments		
at amortised cost	–	448
Loss on disposal of financial assets at		
fair value through profit or loss	–	(2,900)
	<u>(31,542)</u>	<u>1,791</u>
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Total	<u>9,676</u>	<u>71,665</u>

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

(b) Segment reporting

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

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

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

Segment revenue and results

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

Six months ended 30 June 2022

	Asset management <i>HK\$'000</i>	Investment and financial advisory services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Trading of wines and beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers:					
– At a point in time	–	–	–	15,053	15,053
– Over time	25,692	473	–	–	26,165
	25,692	473	–	15,053	41,218
Revenue from other sources	–	–	(31,542)	–	(31,542)
Reportable segment revenue	25,692	473	(31,542)	15,053	9,676
Segment profit (loss)	8,837	473	(50,880)	(1,195)	(42,765)
Other losses					(501)
Unallocated corporate and other expenses					(4,893)
Finance costs					(89)
Share of result of a joint venture					170
Loss before taxation					(48,078)
Income tax					(1,569)
Loss for the period					<u>(49,647)</u>

Six months ended 30 June 2021

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

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

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

Segment assets and liabilities

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

At 30 June 2022

	Asset management <i>HK\$'000</i>	Investment and financial advisory services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Trading of wines and beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS					
Segment assets	<u>12,949</u>	<u>724</u>	<u>139,975</u>	<u>12,841</u>	166,489
Unallocated items:					
Property, plant and equipment					2,538
Deposits, prepayments and other receivables					12,700
Cash and cash equivalents					<u>273,886</u>
Total assets					<u>455,613</u>
LIABILITIES					
Segment liabilities	<u>13,523</u>	<u>-</u>	<u>2,718</u>	<u>111</u>	16,352
Unallocated items:					
Other payables					62,442
Borrowings					50,681
Lease liabilities					<u>2,696</u>
Total liabilities					<u>132,171</u>

At 31 December 2021

	Asset management <i>HK\$'000</i>	Investment and financial advisory services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Trading of wines and beverage <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS					
Segment assets	<u>13,082</u>	<u>–</u>	<u>199,725</u>	<u>9,223</u>	222,030
Unallocated items:					
Property, plant and equipment					5,163
Deposits, prepayments and other receivables					4,470
Cash and cash equivalents					<u>313,006</u>
Total assets					<u><u>544,669</u></u>
LIABILITIES					
Segment liabilities	<u>14,994</u>	<u>–</u>	<u>62,611</u>	<u>31</u>	77,636
Unallocated items:					
Other payables					2,940
Borrowings					85,768
Lease liabilities					<u>5,532</u>
Total liabilities					<u><u>171,876</u></u>

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

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

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and interest in joint venture ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of operations, in the case of interest in joint venture.

	Revenue from external customers		Specified non-current assets	
	For the six months ended 30 June 2022 (unaudited) Total HK\$'000	For the six months ended 30 June 2021 (unaudited) Total HK\$'000	At 30 June 2022 (unaudited) Total HK\$'000	At 31 December 2021 (audited) Total HK\$'000
Hong Kong	9,676	71,665	2,613	5,192
PRC	–	–	2,303	391
	<u>9,676</u>	<u>71,665</u>	<u>4,916</u>	<u>5,583</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Interest on bank borrowings	–	611
Interest on other borrowings	4,125	4,968
Interest on lease liabilities	89	221
Other borrowing costs	91	859
	<u>4,305</u>	<u>6,659</u>

6. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is arrived at after charging (crediting):

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs (including directors' emoluments)	10,462	10,616
Cost of inventories recognised as an expense	13,682	29,839
Impairment loss on debt investments	12,019	1,807
Depreciation charge		
– owned property, plant and equipment	72	245
– right-of-use assets	2,896	2,846
Interest income from bank balances (included in other (losses) income)	(3)	(98)
Fees relating to asset management business		
– commission fee	4,200	1,450
– consultancy fee	1,046	5,938
	<u>104,124</u>	<u>104,124</u>

7. INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	<u>1,569</u>	<u>2,671</u>

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

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) to the six months ended 30 June 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

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

The PRC Enterprise Income Tax rate is 25% (2021: 25%).

No PRC Enterprise Income Tax have been provided for in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 (2021: Nil) as the Group has no estimated assessable profits for the period.

8. DIVIDENDS

No interim dividend was declared, proposed or paid for both the six months ended 30 June 2022 and 2021.

9. (LOSS) EARNINGS PER SHARE

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

Basic:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit attributable to equity shareholders of the Company	<u>(49,647)</u>	<u>3,107</u>
Weighted average number of ordinary shares in issue	<u>1,499,749,920</u>	<u>1,499,749,920</u>

Diluted:

Diluted (loss) earnings 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 2022 and 2021. Therefore, the diluted (loss) earnings per share are the same as basic (loss) earnings per share.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

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

11. DEBT INVESTMENTS AT AMORTISED COST

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Corporate debt securities	230,616	239,990
Less: Loss allowance	<u>(200,502)</u>	<u>(188,352)</u>
Total debt investments at amortised cost, net of loss allowance	<u>30,114</u>	<u>51,638</u>

(a) **Corporate debt securities**

Corporate debt securities comprise the following:

		30 June 2022	31 December 2021
	Note	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
8% senior guaranteed notes (“SP Note”)	(i)	101,995	101,363
10% senior guaranteed notes (“RD Note”)	(ii)	107,532	107,532
9% guaranteed bond (“CFLD Note”)	(iii)	21,089	20,959
7.25% senior unsecured bond (“GL Note”)	(iv)	–	10,136
		<hr/>	<hr/>
Gross carrying amount		<u>230,616</u>	<u>239,990</u>

Notes:

- (i) SP Note represented US\$13 million (31 December 2021: US\$13 million) 8% senior secured guaranteed notes issued by Sanpower (Hong Kong) Company Limited (“SP Note Issuer”) matured on 30 July 2019 with a right to extend the maturity date by further 12 months exercisable by the Group. The SP Note is secured by a charge over 131,000,000 shares of C.banner International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. The Group does not have the right to sell or re-pledge the shares held as collateral in the absence of default by SP Note Issuer. In addition, the SP Note is also secured by corporate guarantee provided by Sanpower Group Co., Ltd. (the “Corporate Guarantor”) and personal guarantee provided by Yuan Yafei (the “Personal Guarantor”).

During the year ended 31 December 2018, Sanpower Group Co., Ltd and Yuan Yafei, being the guarantors of the SP Note failed to provide additional collateral requested by the Group pursuant to the terms of the SP Note and this has resulted in occurrence of events of default (“EOD”) under the terms of the SP Note. In October 2018, the Group has issued EOD notice to SP Note Issuer in respect of all outstanding sum owing by SP Note Issuer. The Company has made announcements on 29 October 2018, 20 November 2018 and 10 January 2019 in relation to the default of the SP Note.

On 1 November 2018, the Group appointed a legal adviser and the Group brought legal proceedings against the Corporate Guarantor and the Personal Guarantor at the Intermediate People’s Court of Jiangsu Province (the “Court”) by the end of November 2018 for all outstanding sums owing by the SP Note Issuer under the SP Note. On 20 December 2018, the Court issued a 民事調解書 (the “Mediation Order”, order numbered (2018) Su 01 Min Chu No.3422) in relation to the payments obligations of the Corporate Guarantor and the Personal Guarantor in respect of the amounts owed under the SP Note recorded in the 和解協議 (the “Settlement Agreement”) entered into between OCI Capital Limited (“OCI Capital”), a wholly-owned subsidiary of the Company, the Corporate Guarantor and the Personal Guarantor on the same day as a result of the mediation conducted by the Court. Although the Corporate Guarantor and the Personal Guarantor are required under the Mediation Order and the Settlement Agreement to repay amounts owed under the SP Note to OCI Capital by making an initial US\$2,000,000 payment by 28 December 2018 and twelve further monthly payments during 2019, no payment was received by OCI Capital based on the Mediation Order and Settlement Agreement. Given such failure to pay in accordance with the agreed schedule, all amounts payable under the Mediation Order and the Settlement Agreement became immediately due and payable. Accordingly, on 9 January 2019, the Group submitted an application to the Court for the enforcement of amounts due under the Mediation Order and the Settlement Agreement. Up to the date of the interim financial report, such court application is still in progress.

The Company received notice from the Sanpower Group on 8 December 2021 that the Restructuring Plan (the “Plan”) of Sanpower Group was passed. The Plan is scheduled to resolve the defaulted debts and part of the related interest due through business restructuring and improving fund pool through disposal of certain assets or investments. The Plan will last through 2021 and 2028. The Company is registered as one of the Sanpower’s debtors and will be notified by Sanpower Group for their updates on the Plan.

As at 30 June 2022, the net carrying amount of the SP Note was approximately HK\$28.47 million (31 December 2021: approximately HK\$33.47 million), after a provision for impairment loss of approximately HK\$73.57 million (31 December 2021: approximately HK\$67.89 million).

- (ii) RD Note represented US\$15 million (31 December 2021: US\$15 million) 10% senior guaranteed notes issued by Rundong Fortune Investment Limited (“RD Note Issuer”) matured on 15 April 2019. The RD Note is secured by a charge over 78,000,000 shares of China Rundong Auto Group Limited (“China Rundong Shares”), a company listed on The Stock Exchange of Hong Kong Limited. The Group does not have the right to sell or re-pledge the shares held as collateral in the absence of default by RD Note Issuer.

During the year ended 31 December 2019, RD Note Issuer failed to repay the outstanding interest and handling fee receivable and this has resulted in occurrence of event of default under the terms of the RD Note. The Company has made announcements on 8 August 2019 in relation to the default of the RD Note.

In 2019, following the RD Note Issuer's failure to repay the outstanding principal amount and the outstanding interest and handling fee receivable of the RD Note, the Group exercised its right as a chargee in possession of the charged shares and sold 2,019,000 China Rundong Shares on the market for HK\$3,648,440 and subsequently contracted with two third parties, LanHai International Trading Limited and Ms. Ding Yi ("Potential Purchasers"), which are independent of the Group, to sell the remaining 75,981,000 China Rundong Shares ("Remaining Shares") for HK\$80 million. LanHai International Trading Limited is the wholly owned subsidiary of Lanhai Holding (Group) Company Limited, which is in turn 99% controlled by Mr. Mi Chunlei. Nonetheless, neither of the Potential Purchasers paid any of the consideration to the Group. The Group has commenced legal proceedings against the Potential Purchasers. On 16 August 2019, a Writ of Summons to LanHai International Trading Limited and Ms. Ding Yi was filed to the High Court of Hong Kong Special Administrative Region. The legal proceedings between the Group against the Potential Purchasers of Remaining Shares are still in progress. During the year ended 31 December 2020, the Company attended the mediation but no agreement was reached with the Potential Purchasers. Further Witness Statement was exchanged and the case management conference hearing was held on 29 November 2021.

The case trial is scheduled on 5 October 2023.

In 2021 and 2020, the Group further disposed of 800,000 and 5,491,000 China Rundong Shares, respectively, on the open market for HK\$612,000 and HK\$4,495,200, respectively. The China Rundong Shares were suspended for trading since 1 April 2021 and up to the date of the interim financial report.

As at 30 June 2022, the net carrying amount of the RD Note was HK\$Nil (31 December 2021: HK\$Nil), after a provision for impairment loss of approximately HK\$107.53 million (31 December 2021: approximately HK\$ HK\$107.53 million).

- (iii) CFLD Note represented US\$2.69 million (face value) of 9% guaranteed bond issued by CFLD Cayman Investment Ltd ("CFLD Note Issuer") matured on 31 July 2021.

The Group received a default notice in respect of CFLD Note on 9 March 2021. Accordingly, the Group made a provision for impairment loss of approximately HK\$19.40 million (31 December 2021: approximately HK\$12.93 million) as at 30 June 2022 and at 30 June 2022, the net carrying amount of CFLD Note was approximately HK\$1.69 million (31 December 2021: approximately HK\$8.03 million).

- (iv) GL Note represented US\$1.3 million (face value) of 7.25% senior unsecured bond issued by Greenland Global Investment Limited ("GL Note Issuer") matured and redeemed on 12 March 2022.

(b) Receivable under a loan facility

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

12. TRADE RECEIVABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Fees receivable from asset management	<u>8,785</u>	<u>9,463</u>

The Group allows an average credit period from 90 to 120 days to its trade customers in respect of wines and beverage trading and a credit period of 30 to 180 days to its customers in respect of asset management. As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 to 60 days	1,771	9,463
61 to 90 days	642	–
91 to 180 days	1,654	–
181 to 365 days	<u>4,718</u>	<u>–</u>
	<u>8,785</u>	<u>9,463</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
HK Dollar fund linked note	6,000	20,000
SPAC – Aquila Acquisition Corporation	11,780	–
Unlisted investment funds		
– ICBC US Dollar Debt Fund SP	–	28,827
– OCI Equities Fund SP	<u>86,630</u>	<u>96,917</u>
Total financial assets at fair value through profit or loss	<u>104,410</u>	<u>145,744</u>

14. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Group had no obligations under repurchase agreement as at 30 June 2022. All repurchase agreements were settled during the year ended 31 December 2021.

BUSINESS REVIEW

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

During the six months ended 30 June 2022 (the “Period”), the Group continue to focus on the development of asset management and investment and financial advisory business. Apart from 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, our application for Type 1 (dealing in securities) license was approved by SFC and the Type 1 license was granted by SFC on 28 July 2021. Our asset management business and the financial advisory business target high-net-worth individuals and institutional investors. Over the past three and half years, assets under management (AUM) managed by the Group increased from US\$662 million with 2 funds as at 31 December 2018 to US\$736 million with 3 funds as at 31 December 2019, representing an increment of 11.2% and further to US\$824 million with 6 funds as at 31 December 2020, representing an increment of 12.0%. The AUM as at 31 December 2021 is US\$668 million with leveraged AUM amounted to US\$924 million and the number of funds under our management increased to 16. However, the AUM as at 30 June 2022 lowered to US\$624 million from 12 funds managed by Hong Kong licensed subsidiary due to funds’ maturity and termination.

The Group continues to expand its wine product portfolio to a broader range and other beverage categories to capture the demand of young consumer in addition to the existing target group of customers. Besides trading of red wine, trading of white wine, champagne and sparkling wine, whisky and Moutai were recorded in the Period. However, without the uplift of the government control policies for COVID, business momentum remains low.

On 29 March 2022, the Company entered into a non-legally binding strategic cooperation agreement (the “Agreement”) with Beijing Bicai Big Data Technology Company Limited* (the “Beijing Bicai”) and Bicai Big Data Technology (HK) Company Limited (the “BicaiHK”). Pursuant to the Agreement, the cooperation may be in form, including but not limited to, i) establishing a jointly owned company in Hong Kong; ii) applying digital asset service provider in Malaysia, and the letter of intent for relevant application has also been signed on the same date; and iii) developing cross-border payment system of digital currency, etc.

The Group recorded total revenue of approximately HK\$9.68 million for the Period (six months ended 30 June 2021: approximately HK\$71.67 million). The decrease in revenue was mainly due to the decrease in income from asset management, investment and financial advisory services and trading of wine and beverage for the Period and the loss on maturity of investment fund and change in fair value of financial assets at fair value through profit or loss further reduced the revenue for the Period.

The consolidated net loss of approximately HK\$49.65 million was incurred by the Group for the Period (six months ended 30 June 2021: profit of approximately HK\$3.11 million). The consolidated losses were mainly due to realised loss on maturity of a investment fund-ICBC US Dollar Debt Fund SP amounting to approximately HK\$28.83 million and impairment loss on fixed income investment in guaranteed bonds issued by CFLD (Cayman) Investment Ltd amounting to approximately HK\$6.36 million (six months ended 30 June 2021: HK\$ Nil) and loss on fair value of investment in listed shares amounting to approximately HK\$0.82 million (six months ended 30 June 2021: HK\$ Nil) plus the impairment losses in relation to fixed income investment in senior secured guaranteed notes issued by Sanpower (Hong Kong) Company Limited and OCI Equities Fund SP amounting to approximately HK\$5.68 million and approximately HK\$6.34 million respectively (six months ended 30 June 2021: approximately HK\$1.81 million and HK\$ Nil).

Asset Management Services

Since May 2018, 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. After our application for Type 1 (dealing in securities) license was approved by SFC and the Type 1 license was granted by SFC on 28 July 2021, the Group is able to provide underwriting, sub-underwriting and placing of securities to funds under management.

On 20 April 2022, 東燦(上海)企業管理諮詢有限公司 (OCI Enterprise Management Consulting Co., Ltd.*) (the “Purchaser”), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the “Agreement”) with 誠泰仁和資產管理(上海)有限公司 (Chengtai Renhe Asset Management (Shanghai) Co., Ltd.*) (the “Seller”). Pursuant to the Agreement, the Purchaser conditionally agreed to purchase, and the Seller conditionally agreed to sell, the 60% registered share capital (the “Sale Share”) of 山東民航東昇投資管理有限公司 (Shandong Civil Aviation Dongsheng Investment Management Co., Ltd.*) (the “Target Company”) for a total cash consideration of RMB3.15 million (equivalent to approximately HK\$3.69 million). The Target Company is providing asset management and advisory services to an investment fund with fund size of RMB601 million at present.

As at 30 June 2022, the Hong Kong asset management subsidiary was engaged in management of 12 funds, including the US Dollar Debt Fund mentioned above, with fund size varying from US\$1.7 million to US\$65.06 million serving 14 individuals and 30 institutional investors. Asset management income of approximately HK\$25.69 million was recorded for the Period (six months ended 30 June 2021: approximately HK\$34.73 million).

* *For identification only*

Investment and Financial Advisory Services

Our investment advisory services mainly relate to advising US dollar debts related investments. As at 30 June 2022, the asset management subsidiary was engaged in advising 2 funds with fund size of US\$18.18 million and US\$48.39 million respectively.

Investment advisory services fee amounting to approximately HK\$0.47 million was recorded as income for the Group for the Period (six months ended 30 June 2021: approximately HK\$2.22 million).

Wine Trading

The COVID-19 pandemic prevention and control measures like entry restrictions, compulsory quarantine for inbound travelers, social distancing practices and restrictions on group gathering, continues to hinder most of the consumption activities during the Period, the Group recorded a turnover of approximately HK\$15.05 million (six months ended 30 June 2021: approximately HK\$32.92 million). Loss attributable to this business segment amounting to approximately HK\$1.20 million for the Period (six months ended 30 June 2021: profit of approximately HK\$2.02 million).

During the Period, the Group continues to expand its wine product portfolio to a broader range and other beverage categories to capture the demand of young consumer in addition to the existing target group of customers. Besides trading of red wine, trading of white wine, champagne and sparkling wine, whisky and Moutai were recorded in the Period.

The Group is conducting its sales through three channels: (i) direct sales; (ii) online sales; and (iii) wholesale. The Group maintains the alliance with a reputable distributor for sale of premium wine.

Fund Investment

As at 30 June 2022, the Group has the following investment in funds:

- (i) The self-invested fund, OCI US Dollar Debt Fund SP was launched in February 2020 through injection of two investment bonds held by the Group valued at approximately US\$15.42 million at the date of injection. The aim of the US Dollar Debt Fund is to invest in medium to long 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. Throughout these two years, there is no external investor participated in the Fund and most of the investment notes or bonds in the fund's portfolio were realised in open market or redeemed upon maturity with the exception of the one remaining in the portfolio as disclosed below.

US\$2.69 million (face value) of 9% guaranteed bond was 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 was engaged to assess the expected credit loss of the CFLD Note in major credit rating agencies. As at 30 June 2022, the carrying amount of the CFLD Note was approximately HK\$1.69 million (31 December 2021: approximately HK\$8.03 million), after a provision for impairment loss from expected credit loss assessment as at 30 June 2022 of approximately HK\$19.40 million (31 December 2021: approximately HK\$12.93 million).

- (ii) On 2 March 2021, the Group through its subsidiary OCI Capital Limited subscribed for 100 Class A Shares of OCI Equities Fund SP ("sub-Fund") at a consideration of HK\$95,000,000 (representing approximately 19% of the Investment Funds Raised). Class B Shareholder and Class C Shareholder will contribute HK\$80,000,000 (representing approximately 16% of the Investment Funds Raised) and HK\$325,000,000 (representing approximately 65% of the Investment Funds Raised) to subscribe for Class B Shares and Class C Shares, respectively.

Provided that the Sub-Fund has sufficient distributable assets, each Class A Share is entitled in priority (over Class B Shares) to a simple fixed return of 5% per annum on its initial offer price or its subscription price as at the Closing Day or the relevant subscription day (“Class A Expected Fixed Return”). The Class A Expected Fixed Return will be payable annually. After payment of the Class A Expected Fixed Return, each Class B Share is entitled to a simple fixed return of 10.5% per annum on its initial offer price or its subscription price as at the Closing Day or the relevant subscription day (“Class B Expected Fixed Return”). The Class B Expected Fixed Return will be payable annually. The Group received the first annual Expected Fixed Return of HK\$4.75 million in March 2022.

Investment objective of the Sub-Fund is to achieve medium to long-term capital appreciation through direct or indirect acquisition, holding, and distribution or other disposition of a properties development project in Foshan PRC through the three years term.

As at 30 June 2022, the fair value Class A share of the Fund was approximately HK\$86.63 million (31 December 2021: approximately HK\$96.92 million). The fair value was determined by present value of the expected cash flows with the appropriate discount rate of each cash flow and adjusted for fund specific credit risk.

- (iii) On 23 May 2019, the Company subscribed for 20,000 Class B Shares issued by ICBC US Dollar Debt Fund SP (a sub-fund of ICBC AMG China Fund I SPC), managed by ICBC Asset Management (Global) Company Limited 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 2019 (“Distribution Date”) at 4% per annum on its subscription amount. Provided that the portfolio has sufficient distributable assets after payment of the Class A fixed return and deduction of all fees, expenses and other liabilities of the Sub-Fund (including but not limited to management fees), each Class B Share carries the right to a fixed return accruing on each distribution date calculated at the rate of 4% per annum on the subscription amount. On redemption, Class A Shares will not be entitled to any amount in excess of the subscription price and any accrued and unpaid fixed return. Class B Shares are entitled to the remaining portion of the NAV of the Sub-Fund. The Sub-Fund will generate income through investing in US dollar-denominated bonds (including, but not limited to, investment-grade bonds, high-yield bonds, and convertible bonds), notes and other fixed income products and money market instruments issued by companies based in or with their headquarters in the PRC (each an “Issuer”). Target Issuers are stated to include qualified real estate bond issuers; financial institutions with high incomes and other corporate bonds and local government financing vehicles.

On 12 August 2021 the Company sold 7,900 Class B shares (“Sale Shares”) of the Sub-Fund to Orient Finance Holdings (Hong Kong) Limited (“the Purchaser”) at the consideration of approximately US\$7.91 million with a post-completion guarantee clause that in the event that the SPC redeems the participating shares at the expiry of the investment term of the Sub-Fund (i.e. 2 June 2022), the sum of entitlement of the Purchaser comprising the aggregate of all the returns, distributions, income and other payments received or accrued on the Sale Shares since Completion plus the redemption proceeds paid or payable to the Purchaser is less than the Consideration paid by the Purchaser, the Company shall pay to the Purchaser such shortfall within five business days upon receipt of written notice from the Purchaser.

The Fund’s fair value dropped substantially in the last quarter of 2021 due to the market value of those bonds issued by PRC properties developers in the Fund’s portfolio decreased sharply upon the PRC government’s tightened control policies over credit. Hence, the fair value of the fund investment was reduced to approximately HK\$28.83 million as at 31 December 2021 after the impairment provided for the loss in fair value.

The NAV of the Class B shares of the Fund continued to decrease further as the prices of those bonds and notes in the Fund’s portfolio dropped further in early 2022. The value of Class B shares turned to Zero by 31 January 2022 and further cut loss actions were taken by the Fund Manager.

The Fund Manager decided not to extend the Fund in May 2022 and the maturity date fell on 2 June 2022. As Class B shares value is zero by that time, the Company and the Purchaser get nil return from the Fund. The Company recorded a loss of approximately HK\$28.83 million in this reporting period and recognised the liabilities of the post-completion guarantee of approximately US\$7.51 million towards the Purchaser.

Securities Trading and Investments

Dividend income, income from debt investments and the change in fair value of the financial assets recognised under this segment for the Period amounted to loss of approximately HK\$31.54 million (six months ended 30 June 2021: profit of approximately HK\$1.79 million). Loss attributed to this business segment amounted to approximately HK\$50.88 million (six months ended 30 June 2021: approximately HK\$1.60 million), the loss of this segment was mainly due to the impairment losses on fixed income investment notes and fund investments amounted to approximately HK\$12.02 million (six months ended 30 June 2021: approximately HK\$1.81 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 30 June 2022, 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 of 10% senior secured guaranteed notes (“RD Note”) issued by Rundong Fortune Investment Limited (“RD Note Issuer”) matured on 15 April 2019. The RD Note was secured by a charge over 78,000,000 shares of China Rundong Auto Group Limited (China Rundong Charged Shares), a company listed on the Stock Exchange (stock code: 1365). The Group issued an EOD Notice to the RD Note Issuer and demanded for payment from RD Note Issuer on 16 April 2019. Then the Group sold 2,019,000 China Rundong Charged Shares and subsequently also contracted with LanHai International Trading Limited (覽海國際貿易有限公司) and Ms. Ding Yi (丁怡) (“RD Charged Share Purchasers”), to sell the remaining 75,981,000 China Rundong Charged Shares (“Remaining RD Shares”) for HK\$80 million. On 16 August 2019, a Writ of Summons to RD Charged Share Purchasers was filed to the High court of Hong Kong Special Administrative Region, for details, please refer to our annual report 2019. Up to the date of this announcement, 8,310,000 RD Charges Shares was disposed in open market for cash return of approximately HK\$8.76 million. The total exposure as at 30 June 2022 was approximately HK\$107.53 million (31 December 2021: approximately HK\$107.53 million) after amounts recovered from the sale of part of collateral.

The legal proceedings between the Group against the RD Charged Share Purchasers is still in progress. During the year ended 31 December 2020, the Company attended the mediation but no agreement was reached with the RD charges Share Purchasers. Further Witness Statement was exchanged and our case management conference hearing was held on 29 November 2021. The case trial date is now fixed on 5 October 2023.

As at 30 June 2022, the carrying amount of the RD Note was HK\$Nil (31 December 2021: HK\$Nil), after a provision for impairment loss as at 30 June 2022 of approximately HK\$107.53 million (31 December 2021: approximately HK\$107.53 million), representing Nil of the consolidated total assets of the Group (31 December 2021: Nil).

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

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

The Group issued in October 2018 an EOD Notice to the SP Note Issuer and demanded for payment from the Sanpower Group Co., Ltd. (the “Corporate Guarantor”) and Mr. Yuan Yafei (the “Personal Guarantor”) as guarantors, in respect of all outstanding sums owing by the SP Note Issuer under the SP Note. The SP Note is secured also by charges over a total of 131,000,000 shares of C.banner International Holdings Limited (“C.banner Shares”), a company listed on the Stock Exchange (stock code: 1028). On 9 January 2019, the Group submitted an application to the Intermediate People’s Court for the enforcement of amounts due under the Mediation Order and the Settlement Agreement. Details please refer to our annual report 2018 and 2019. The total exposure as at 30 June 2022 was approximately HK\$102.00 million (31 December 2021: approximately HK\$101.36 million).

As at 30 June 2022, the carrying amount of the SP Note was approximately HK\$28.43 million (31 December 2021: approximately HK\$33.47 million), after a provision for impairment loss as at 30 June 2022 of approximately HK\$73.57 million (31 December 2021: approximately HK\$67.89 million), representing approximately 6.24% of the consolidated total assets of the Group (31 December 2021: approximately 4.4%).

Valuation of the carrying amount of the SP Note was based on the closing price as at 30 June 2022 of 131,000,000 C.banner Shares (31 December 2021: 131,000,000) that secured the SP Note of HK\$0.31 per share (31 December 2021: HK\$0.39) and a lack of marketability discount of 30% (31 December 2021: 30% discount) was applied.

HK Dollar fund linked note

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

On 27 December 2021, half of the investment in OCI Real Estate Fund I SP was redeemed by the Issuer, hence the Group also redeemed half of investment, i.e. HK\$10 million in the said HK Dollar Fund Linked Note. Interest income from the HK Dollar Fund Linked Note amounted to approximately HK\$1.05 million was recognised for the year ended 31 December 2021.

On 27 June 2022, 40% of the remaining investment in OCI Real Estate Fund I SP was redeemed by the Issuer, hence the Group also redeemed 40% of investment, i.e. HK\$4 million in the said HK Dollar Fund Linked Note. Interest income from the HK Dollar Fund Linked Note amounted to approximately HK\$0.28 million was recognised for the Period.

Equity Securities

In March 2022, the Group invested approximately HK\$12.6 million in the listed shares and warrant of Aquila Acquisition Corporation (the first listed entity of Special Purpose Acquisition Company “SPAC” in Hong Kong Stock Exchange) with the prospect of making capital gain when the SPAC goes for De-SPAC within a pre-defined time period after listing. An impairment on fair value of these SPAC shares and warrants amounting to HK\$0.82 million was provided for the Period.

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 30 June 2022, the Group has one fixed-rate, unsecured revolving facilities of US\$100 million from Cheer Hope Holdings Limited, one of our substantial shareholders. The outstanding principal amount of the loan as at 30 June 2022 amounted to US\$6.5 million.

The gearing ratio of the Group as at 30 June 2022 was approximately 16.5% (31 December 2021: approximately 24.6%), calculated based on total borrowings (including borrowings and lease liabilities) of approximately HK\$53.38 million (31 December 2021: approximately HK\$91.59 million) divided by shareholders' equity of approximately HK\$323.44 million (31 December 2021: approximately HK\$372.79 million) as at that date.

The Group's bank balances and cash as at 30 June 2022 amounted to approximately HK\$273.89 million (31 December 2021: approximately HK\$313.01 million). Its total assets as at the same date were approximately HK\$455.61 million (31 December 2021: approximately HK\$544.67 million).

The Group recorded net current assets of approximately HK\$318.53 million (31 December 2021: HK\$367.21 million) and inventories increased from approximately HK\$7.29 million as at 31 December 2021 to approximately HK\$12.7 million as at 30 June 2022. The current ratio of approximately 3.4 times (31 December 2021: approximately 3.1 times) is calculated based on the current assets of approximately HK\$450.70 million (31 December 2021: approximately HK\$539.09 million) over the current liabilities of approximately HK\$132.17 million (31 December 2021: approximately HK\$171.88 million).

As at 30 June 2022 and 31 December 2021, the issued capital of the Company was approximately HK\$15.0 million.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL

On 20 April 2022, 東燦(上海)企業管理諮詢有限公司 (OCI Enterprise Management Consulting Co., Ltd.*) (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with 誠泰仁和資產管理(上海)有限公司 (Chengtai Renhe Asset Management (Shanghai) Co., Ltd.*) (the "Seller"). Pursuant to the Agreement, the Purchaser conditionally agreed to purchase, and the Seller conditionally agreed to sell, the 60% registered share capital (the "Sale Share") of 山東民航東昇投資管理有限公司 (Shandong Civil Aviation Dongsheng Investment Management Co., Ltd.*) (the "Target Company") for a total cash consideration of RMB3.15 million (equivalent to approximately HK\$3.69 million) (the "Acquisition"). The Target Company is providing asset management and advisory services to an investment fund with fund size of RMB601 million at present.

The Acquisition is completed on 23 May 2022.

* For identification only

On 27 June 2022, the Group transferred 49% right of Title Success Limited which indirectly hold 60% rights of 山東民航東昇投資管理有限公司 (Shandong Civil Aviation Dongsheng Investment Management Co., Ltd.*) (the “Shandong Civil Aviation”) to King Success Limited, a BVI company wholly-owned by Mr. Jiang Shi Tao (“Mr. Jiang”) at a consideration of HK\$Nil as a motivation of Mr. Jiang’s effort and continuously enhance the market competitiveness of Shandong Civil Aviation on the condition that Mr. Jiang shall remain the position of legal representative, director and general manager of Shandong Civil Aviation within three years from 27 June 2022. The operation results of the Shandong Civil Aviation were incorporated in the Group on equity basis.

PROSPECTS FOR THE YEAR 2022 AND DEVELOPMENT PLAN

As most of the people in the globe get used to “living with COVID”, the war in Ukraine and its human costs have added another geopolitical layer of complexity to the healing process for the global economy following the COVID recession.

Hefty increases in energy prices, stubbornly persistent and now even more prolonged supply chain disruptions and labour shortages had already sent inflation rates around the globe soaring to levels not seen for many decades. In the second quarter of 2022, US has started to raise interest rate aggressively to suppress inflation with Europeans follow to raise interest rate too.

The stable China economic status is likely to benefit many regional assets while the US and Euro regions’ economic growth will slow down as the effects of interest rise and monetary tightening.

The Group will stay focus on development of asset management business and invest in digital financing platforms in Great China and Asian region through acquisitions and set up of joint ventures.

Facilitated by HKEX’s creation of a listing regime for special purpose acquisition companies (SPACs) taking effect on 1 January 2022, the Group has submitted an application to HKEX for listing of a SPAC, named Pisces Acquisition Corporation, on 2 March 2022. Expecting to get HKEX’s approval for the SPAC listing by the 4th quarter of 2022, the Group has gathered enough potential investors for the SPAC IPO in these few months and it is just pending for HKEX’s approval. Eventually, the Group has started screening target companies for the De-SPAC process.

Meanwhile, more resources will be allocated for the development of Type 1 (securities trading) business as asset management is our main stream for income generation. We need to improve our hardware and software for the changing business environment for this sector.

For trading of wines and beverages, the Group will keep on with the existing strategy in expanding its wine product portfolio to a broader range and other beverage categories as well as other high end trendy products, e.g. cigar. Management starts to accept crypto currency as one of the settlement means for trading of wine and beverages in 2022 and hope that can improve the trading performance. We expect to keep the same pace of 2021 as the existing pandemic condition prevail.

FOREIGN EXCHANGE RISKS

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

DIVIDEND

No dividends were paid, declared or proposed during the Period (six months ended 30 June 2021: Nil). The Board did not recommend any dividend payment for the Period (six months ended 30 June 2021: Nil).

PLEDGE OF ASSETS

As at 30 June 2022 and 31 December 2021, no secured borrowings were outstanding after the secured term loan of HK\$155 million with a local bank was fully settled when fall due.

CAPITAL COMMITMENTS

As at 30 June 2022, no capital commitments were reported (31 December 2021: Nil).

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Directors are not aware of any material contingent liabilities.

EMPLOYEE POLICY

As at 30 June 2022, the Group employed 5 employees in the PRC and 20 employees in Hong Kong. The Group has maintained good relationship with its staff and has not experienced any major disruptions of its operations due to labour disputes. The Group contributed to the Mandatory Provident Fund Scheme of Hong Kong and provided medical benefits programme for its employees in Hong Kong. It also contributed to the retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC.

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

SHARE OPTION SCHEME

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

At the extraordinary general meeting of the Company held on 16 September 2021, an ordinary resolution was passed to grant 55,000,000 share options to Mr. Wu Guangze carrying the rights to subscribe for 55,000,000 Shares and 50,000,000 share options to Mr. Wei Bin carrying the rights to subscribe for 50,000,000 Shares at an exercise price of HK\$4.53 per Share (the "Grant") under the share option scheme adopted by the Company on 17 December 2012.

Validity period of the Share Options from 15 October 2021 to 6 June 2031 (both dates inclusive). Share Options of each Grantee will be vested in five equal tranches (being 11,000,000 Share Options per tranche for Mr. Wu Guangze and 10,000,000 Share Options per tranche for Mr. Wei Bin) in accordance with the vesting schedule for the Share Options, subject to the fulfilment of certain Performance Targets.

Reference is made to the announcement of the Company dated 15 October 2021, the Company granted the Grant on 15 October 2021.

Given the vesting conditions for the first tranche are not met, the corresponding tranche of Share Options (being 11,000,000 Share Options for Mr. Wu Guangze and 10,000,000 Share Options for Mr. Wei Bin) has been automatically lapsed during the Period.

As at the date of this announcement, 84,000,000 Share Options are outstanding under the Company's Share Option Scheme.

As at the date of this announcement and except for the aforesaid, there is no other options granted or outstanding under any of the Company's share option scheme.

The life of the Share Option Scheme is 10 years commencing on 17 December 2012 and will expire on 16 December 2022.

CONVERTIBLE SECURITIES OR OTHER SIMILAR RIGHTS

The Company has no outstanding convertible securities or similar rights in issue as at 30 June 2022.

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.

EVENTS AFTER REPORTING PERIOD

Saved for disclosed elsewhere in this announcement, there were no material events occurred after the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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. Tso Siu Lun Alan, Mr. Li Xindan and Dr. Lo Wing Yan William.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.oci-intl.com. The 2022 interim report will also be published on the website of Stock Exchange at www.hkexnews.hk and the website of Company at www.oci-intl.com and will be dispatched to the Shareholders in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2022

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

Executive Directors:

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

Independent non-executive Directors:

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

Non-executive Directors:

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