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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 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2023 HK\$'000	For the six months ended 30 June 2022 HK\$'000	Change in %
Revenue	39,022	9,676	303.3%
From asset management	27,639	25,692	7.6%
From investment and financial advisory services	172	473	(63.6%)
Sales of goods	7,120	15,053	(52.7%)
From securities trading and investments	4,091	(31,542)	(113.0%)
Net profit (loss) from operations	3,827	(43,943)	(108.7%)
Net loss for the period	(581)	(49,647)	(98.8%)
EBITDA	8,336	(40,805)	(120.4%)
Loss per share			
– basic (HK cents)	(0.005)	(3.310)	(99.8%)

	30 June 2023 HK\$000	31 December 2022 HK\$'000	Change in %
Total Asset	389,190	417,562	(6.8%)
Net Asset	292,435	293,640	(0.4%)

The Group recorded total revenue of approximately HK\$39.02 million for the six months ended 30 June 2023 (the “Period”) (six months ended 30 June 2022: approximately HK\$9.68 million). The increase in revenue was mainly due to the recognition of fair value gain of approximately HK\$3.91 million for the Period as compared to a fair value loss of approximately HK\$36.04 million for the six months ended 30 June 2022, which was offset by the decrease in revenue from trading of wines and beverage.

After cost of sales and services rendered, general and administrative expenses, and net reversal of or impairment loss on financial assets, profit from operations for the Period amounted to HK\$3.83 million (six months ended 30 June 2022: loss of HK\$43.94 million).

For the same token, loss for the Period decreased from HK\$49.65 million for the six months ended 30 June 2022 to HK\$0.58 million. EBITDA was a profit of HK\$8.34 million for the Period (six months ended 30 June 2022: loss of HK\$40.81 million).

Loss per share (basic) attributable to owner of the Company decreased from HK3.310 cents for the six months ended 30 June 2022 to HK0.005 cents for the Period.

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 2023 (“Period”) together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue	4		
Revenue from asset management		27,639	25,692
Revenue from investment and financial advisory services		172	473
Sales of goods		7,120	15,053
Income (loss) from securities trading and investments		4,091	(31,542)
		39,022	9,676
Cost of sales and services rendered		(6,614)	(18,928)
		32,408	(9,252)
Other income (losses), net		3,841	(501)
Selling and distribution costs		(13)	(47)
General and administrative expenses		(32,855)	(22,124)
Impairment loss on financial assets, net of reversal		446	(12,019)
Profit (loss) from operations		3,827	(43,943)
Finance costs	5	(3,123)	(4,305)
Share of results of a joint venture		688	170
Profit (loss) before taxation	6	1,392	(48,078)
Income tax	7	(1,973)	(1,569)
Loss for the period		(581)	(49,647)

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(624)</u>	<u>296</u>
Total comprehensive expense for the period		<u>(1,205)</u>	<u>(49,351)</u>
Loss for the period attributable to			
Equity shareholders of the Company		(68)	(49,647)
Non-controlling interests		<u>(513)</u>	<u>–</u>
		<u>(581)</u>	<u>(49,647)</u>
Total comprehensive expense for the period attributable to:			
Equity shareholders of the Company		(508)	(49,351)
Non-controlling interests		<u>(697)</u>	<u>–</u>
		<u>(1,205)</u>	<u>(49,351)</u>
Loss per share			
Basic and diluted	9	<u>HK(0.005)</u> <u>cents</u>	<u>HK(3.310)</u> <u>cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

(Expressed in Hong Kong dollars)

		30 June 2023	31 December 2022
	<i>Note</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	10	18,612	22,360
Interest in joint venture		5,570	5,101
Rental deposits		1,086	1,086
		25,268	28,547
Current assets			
Inventories		5,995	6,256
Trade receivables	12	32,657	7,431
Deposits, prepayments and other receivables		14,929	17,150
Debt investments at amortised cost	11	18,138	17,350
Financial assets at fair value through profit or loss	13	114,165	110,260
Cash and cash equivalents		178,038	230,568
		363,922	389,015
Current liabilities			
Contract liabilities		1,067	1,548
Accruals and other payables		19,888	12,022
Amount due to a related party		23,543	46,930
Borrowings		35,262	46,861
Lease liabilities		7,272	7,089
Current tax payable		2,155	337
		89,187	114,787
Net current assets		274,735	274,228
Total assets less current liabilities		300,003	302,775
Non-current liability			
Lease liabilities		7,568	9,135
Net Assets		292,435	293,640

	30 June 2023	31 December 2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Capital and reserves		
Share capital	14,998	14,998
Reserves	<u>285,155</u>	<u>285,663</u>
Total equity attributable to equity shareholders of the Company	300,153	300,661
Non-controlling interests	<u>(7,718)</u>	<u>(7,021)</u>
Total Equity	<u>292,435</u>	<u>293,640</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2023
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserves	Other reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 income (expense) for the period	–	–	296	–	(49,647)	(49,351)	–	(49,351)
Partial disposal of a subsidiary to a non-controlling interest	–	–	–	–*	–	–*	–*	–*
Balance at 30 June 2022 (unaudited)	14,998	498,790	290	(919)	(189,717)	323,442	–*	323,442
Balance at 1 January 2023 (audited)	14,998	498,790	(780)	3,431	(215,778)	300,661	(7,021)	293,640
Loss for the period	–	–	–	–	(68)	(68)	(513)	(581)
Other comprehensive expense for the period	–	–	(440)	–	–	(440)	(184)	(624)
Total comprehensive expense for the period	–	–	(440)	–	(68)	(508)	(697)	(1,205)
Balance at 30 June 2023 (unaudited)	14,998	498,790	(1,220)	3,431	(215,846)	300,153	(7,718)	292,435

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1 GENERAL INFORMATION

OCI International Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Level 23, 28 Hennessy Road, Hong Kong.

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

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 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 new and amendments to HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17: Insurance Contracts (including the relevant amendments)
- Amendments to HKAS1 and HKFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to HKAS 8: Definition of Accounting Estimates
- Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

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, provision of securities underwriting and placing 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	
	2023	2022
	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	27,639	25,692
– Investment and financial advisory services	172	473
– Trading of wines and beverage	7,120	15,053
	34,931	41,218
Revenue from other sources		
Income from debt investments	–	2,938
Change in fair value of financial assets at fair value through profit or loss	3,905	(36,042)
Dividend income	186	1,562
	4,091	(31,542)
Total	39,022	9,676

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) underwriting and placing of securities
- (d) securities trading and investments
- (e) 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 resources allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

Six months ended 30 June 2023

	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	-	-	-	7,120	7,120
– Over time	27,639	172	-	-	27,811
	27,639	172	-	7,120	34,931
Revenue from other sources	-	-	4,091	-	4,091
Reportable segment revenue	27,639	172	4,091	7,120	39,022
Segment profit (loss)	6,811	172	2,862	(2,506)	7,339
Other income					3,841
Unallocated corporate and other expenses					(6,665)
Finance costs					(3,123)
Profit before taxation					1,392
Income tax					(1,973)
Loss for the period					<u>(581)</u>

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
	<u>25,692</u>	<u>473</u>	<u>–</u>	<u>–</u>	<u>26,165</u>
Revenue from other sources	<u>–</u>	<u>–</u>	<u>(31,542)</u>	<u>–</u>	<u>(31,542)</u>
Reportable segment revenue	<u>25,692</u>	<u>473</u>	<u>(31,542)</u>	<u>15,053</u>	<u>9,676</u>
Segment profit (loss)	<u>8,837</u>	<u>473</u>	<u>(50,880)</u>	<u>(1,195)</u>	<u>(42,765)</u>
Other losses					(501)
Unallocated corporate and other expenses					(4,893)
Finance costs					(89)
Share of results of a joint venture					<u>170</u>
Loss before taxation					(48,078)
Income tax					<u>(1,569)</u>
Loss for the period					<u><u>(49,647)</u></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 (losses), 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 2023

	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>40,127</u>	<u>172</u>	<u>143,117</u>	<u>11,663</u>	195,079
Unallocated items:					
Property, plant and equipment					13,102
Deposits, prepayments and other receivables					2,971
Cash and cash equivalents					<u>178,038</u>
Total assets					<u><u>389,190</u></u>
LIABILITIES					
Segment liabilities	<u>13,318</u>	<u>-</u>	<u>28,497</u>	<u>4,219</u>	46,034
Unallocated items:					
Other payables					4,797
Borrowings					35,262
Lease liabilities					<u>10,662</u>
Total liabilities					<u><u>96,755</u></u>

At 31 December 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>15,880</u>	<u>–</u>	<u>136,958</u>	<u>15,329</u>	168,167
Unallocated items:					
Property, plant and equipment					15,012
Deposits, prepayments and other receivables					3,815
Cash and cash equivalents					<u>230,568</u>
Total assets					<u><u>417,562</u></u>
LIABILITIES					
Segment liabilities	<u>1,963</u>	<u>–</u>	<u>54,007</u>	<u>4,122</u>	60,092
Unallocated items:					
Other payables					4,818
Borrowings					46,861
Lease liabilities					<u>12,151</u>
Total liabilities					<u><u>123,922</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 2023 (unaudited) Total HK\$'000	For the six months ended 30 June 2022 (unaudited) Total HK\$'000	At 30 June 2023 (unaudited) Total HK\$'000	At 31 December 2022 (audited) Total HK\$'000
Hong Kong	39,022	9,676	18,587	22,326
The People's Republic of China ("PRC")	–	–	5,595	5,135
	<u>39,022</u>	<u>9,676</u>	<u>24,182</u>	<u>27,461</u>

5 FINANCE COSTS

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest on other borrowings	890	4,125
Interest on amount due to a related party	1,640	–
Interest on lease liabilities	393	89
Other borrowing costs	200	91
	<u>3,123</u>	<u>4,305</u>

6 PROFIT (LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Staff costs (including directors' emoluments)	22,258	10,462
Cost of inventories recognised as an expense	6,614	13,682
Impairment loss on debt investments, net of reversal	(446)	12,019
Depreciation charge		
– owned property, plant and equipment	480	72
– right-of-use assets	3,341	2,896
Interest income from bank balances (included in other income (losses))	(582)	(3)
Commission fee relating to asset management business	–	4,200
	<u> </u>	<u> </u>

7 INCOME TAX

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Current tax – Hong Kong Profits Tax	<u>1,973</u>	<u>1,569</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% (2022: 16.5%) to the six months ended 30 June 2023, 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% (2022: 25%).

No PRC Enterprise Income Tax have been provided for in the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 (2022: 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 2023 and 2022.

9 LOSS PER SHARE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss attributable to equity shareholders of the Company	<u>(68)</u>	<u>(49,647)</u>
Weighted average number of ordinary shares in issue	<u>1,499,749,920</u>	<u>1,499,749,920</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. For the six months ended 30 June 2023 and 2022, the diluted loss per share is same as basic loss per share because the exercise price of Company's share options was higher than the average market price for shares.

10 MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, there was addition of property, plant and equipment of approximately HK\$73,000 (six months ended 30 June 2022: Nil).

11 DEBT INVESTMENTS AT AMORTISED COST

	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Corporate debt securities	231,620	230,856
Less: Loss allowance	<u>(213,482)</u>	<u>(213,506)</u>
Total debt investments at amortised cost, net of loss allowance	<u>18,138</u>	<u>17,350</u>

(a) **Corporate debt securities**

Corporate debt securities comprise the following:

	<i>Note</i>	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
8% senior guaranteed notes (“SP Note”)	(i)	101,867	101,531
10% senior guaranteed notes (“RD Note”)	(ii)	108,690	108,331
9% guaranteed bond (“CFLD Note”)	(iii)	21,063	20,994
Gross carrying amount		<u>231,620</u>	<u>230,856</u>

Notes:

- (i) SP Note represented US\$13 million (31 December 2022: 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 this announcement, 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 2023, the net carrying amount of the SP Note was approximately HK\$16.14 million (31 December 2022: approximately HK\$15.04 million), after a provision for impairment loss of approximately HK\$85.73 million (31 December 2022: approximately HK\$86.49 million).

- (ii) RD Note represented US\$15 million (31 December 2022: 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 subsequently delisted on 31 October 2022.

As at 30 June 2023, the net carrying amount of the RD Note was HK\$Nil (31 December 2022: HK\$Nil), after a provision for impairment loss of approximately HK\$108.69 million (31 December 2022: approximately HK\$108.33 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\$19.06 million (31 December 2022: approximately HK\$18.68 million) as at 30 June 2023 and at 30 June 2023, the net carrying amount of CFLD Note was approximately HK\$2.00 million (31 December 2022: approximately HK\$2.31 million).

On 24 January 2023, a restructuring scheme was approved by the court, under which the creditors were offered with different new bonds for selection by 9 January 2024 to exchange for the CFLD Note. During the six months ended 30 June 2023, the Group had submitted an application for the selection of new bonds under the restructuring scheme, and up to the date of this announcement, the application process was in progress and the Group has not received the new bonds yet.

12 TRADE RECEIVABLES

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Trade debtors in respect of wines and beverage trading	3	34
Fees receivable from asset management, net of loss allowance	<u>32,654</u>	<u>7,397</u>
	<u>32,657</u>	<u>7,431</u>

The Group allows an average credit period from 90 to 120 days to its trade customers in respect of wines and beverage trading. Fees receivable in respect of the business of asset management are normally due within 30 days upon presenting the invoice.

The following is an ageing analysis of trade receivables, net of loss allowance, arising from the business of wines and beverage trading based on date of invoice at the reporting date:

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
0 to 60 days	<u>3</u>	<u>34</u>

The following is an ageing analysis of trade receivables, net of loss allowance, arising from the business of asset management based on date of revenue recognition at the reporting date:

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
0 to 60 days	25,988	889
61 to 90 days	297	484
91 to 180 days	736	1,466
181 to 365 days	2,034	1,739
Over 365 days	<u>3,599</u>	<u>2,819</u>
	<u>32,654</u>	<u>7,397</u>

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Unlisted investment funds		
– OCI Equities Fund SP	96,108	92,013
– OCI Real Estate Fund I SP	4,600	4,620
Investments in listed securities	13,385	13,540
Investments in listed warrants	72	87
	<hr/>	<hr/>
Total financial assets at fair value through profit or loss	114,165	110,260
	<hr/> <hr/>	<hr/> <hr/>

BUSINESS REVIEW

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

During the six months ended 30 June 2023 (the “Period”), the Group continued to focus on the development of asset management and investment and financial advisory businesses. 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”) which were granted to the Group in May 2018, the Group had obtained Type 1 (dealing in securities) license granted by SFC on 28 July 2021. The Group’s asset management and financial advisory businesses target high-net-worth individuals and institutional investors such as financial institutions, asset management companies and other investment companies. Assets under management (AUM) managed by the licensed asset management subsidiary of the Group, namely OCI Asset Management Company Limited (“OCIAM”), 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 increased 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 was US\$668 million and the number of funds under our management increased to 16. However, the AUM managed by OCIAM as at 31 December 2022 lowered to US\$270 million from 11 funds, and further decreased to US\$205 million from 9 funds as at 30 June 2023, which was mainly due to partial redemption of investment by investors, maturity and termination of funds.

The Group had expanded its wine product portfolio to a broader range and other beverage categories (including red wine, white wine, champagne and sparkling wine, whisky, Moutai and Chinese tea leaf) to capture the demand of young consumer. However, attributed to the slow pace of recovery of general economic situation in Hong Kong and Mainland China which affected the demand of wine products, competition from online shops, and that some consumers have chosen to travel and spend overseas after the reopening of borders, revenue from trading of wines and beverage decreased to approximately HK\$7.12 million for the Period as compared to approximately HK\$15.05 million for corresponding period of last year.

On 29 March 2022, the Company entered into a non-legally binding strategic cooperation agreement with Beijing Bicai Big Data Technology Company Limited and Bicai Big Data Technology (HK) Company Limited (“BicaiHK”) for Fintech related business. Subsequent to entering into the cooperation agreement, a Hong Kong company was established in April 2022 owned as to 50% by the Group and 50% by BicaiHK. The strategic cooperation was in a start-up stage and yet to generate any revenue.

Facilitated by the creation of a listing regime by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for special purpose acquisition companies (“SPACs”) taking effect on 1 January 2022, the Group has submitted an application to the Stock Exchange for listing of a SPAC, named Pisces Acquisition Corporation, on 2 March 2022. Pisces Acquisition Corporation is a Cayman Islands exempted company and is incorporated for the purpose of effecting an initial business combination with one or more businesses. Up to the date of this announcement, the listing process was still in progress.

The Group recorded total revenue of approximately HK\$39.02 million for the Period (six months ended 30 June 2022: approximately HK\$9.68 million). The increase in revenue was mainly due to the recognition of fair value gain of approximately HK\$3.91 million for the Period as compared to a fair value loss of approximately HK\$36.04 million for the six months ended 30 June 2022, which was offset by the decrease in revenue from trading of wines and beverage.

The consolidated net loss of approximately HK\$0.58 million was incurred by the Group for the Period (six months ended 30 June 2022: approximately HK\$49.65 million). The significant decrease in consolidated net loss was mainly due to (i) the increase in total revenue discussed above; (ii) the decrease in cost of sales and services rendered (mainly attributed to the decrease in cost of sales from trading of wines and beverage, and the decrease in commission fee related to asset management business); and (iii) the recognition of net reversal of impairment loss on financial assets of approximately HK\$0.45 million for the Period as compared to an impairment loss of approximately HK\$12.02 million for the corresponding period of last year, which was then offset by the increase in general and administrative expenses mainly as a result of the increase in staff cost, start-up cost of potential business, depreciation expenses, etc.

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.

As at 30 June 2023, OCIAM was engaged in the management of 9 funds (31 December 2022: 11 funds) including the self-invested US Dollar Debt Fund with fund size varying from US\$0.32 million to US\$83.77 million (31 December 2022: US\$0.22 million to US\$83.77 million) serving 12 individuals and 23 institutional investors (31 December 2022: 13 individuals and 24 institutional investors). Asset management income for the Period was approximately HK\$27.64 million (six months ended 30 June 2022: approximately HK\$25.69 million).

On 23 May 2022, the Group acquired 60% paid up capital of 山東民航東昇投資管理有限公司 (Shandong Civil Aviation Dongsheng Investment Management Co., Ltd.) (“Shandong Civil Aviation Dongsheng”) from a third party at a cash consideration of RMB3.15 million. Shandong Civil Aviation Dongsheng is a company incorporated in the PRC and principally engaged in the provision of asset management and advisory services in the PRC. Shandong Civil Aviation Dongsheng is classified as a joint venture company of the Group and for the Period, the Group recorded share of profits of the joint venture of approximately HK\$0.69 million (six months ended 30 June 2022: approximately HK\$0.17 million).

During the year 2022, an investment fund was set up with a targeted capital commitment to be raised by the limited partners ranging from US\$1.5 billion to US\$1.9 billion (the “Healthcare Investment Fund”) where YZ Healthcare GP Limited, a wholly-owned subsidiary of the Company, is the general partner. The Healthcare Investment Fund targets to invest in the healthcare industry. Up to the date of this announcement, the fund raising was in progress.

Investment and Financial Advisory Services

As at 30 June 2023, OCIAM was engaged in advising 1 fund with fund size of HK\$1.05 billion (31 December 2022: nil). Investment advisory services fee income amounting to approximately HK\$0.17 million was recorded by the Group for the Period (six months ended 30 June 2022: approximately HK\$0.47 million).

Underwriting and Placing Services

After obtaining Type 1 (dealing in securities) license granted by SFC on 28 July 2021, the Group is able to provide underwriting, sub-underwriting and placing of securities services. The Group had participated in total of 2, 5 and nil bond issuance transactions during the year ended 31 December 2021, year ended 31 December 2022, and six months ended 30 June 2023, respectively. These provided opportunities for the Group to build up relationship with leaders in underwriting business and acquaint with the market practice in underwriting business. During the Period, the Group did not record any income from underwriting and placing of securities (six months ended 30 June 2022: nil).

Trading of wines and beverage

Following the relaxation of most of the pandemic-related control measures and reopening of borders all over the world, most of the commercial activities have gradually resumed normal. However, attributed to the slow pace of recovery of general economic situation in Hong Kong and Mainland China which affected the demand of wine products, competition from online shops, and that some consumers have chosen to travel and spend overseas after the reopening of borders, revenue from trading of wines and beverage decreased from approximately HK\$15.05 million for the six months ended 30 June 2022 to approximately HK\$7.12 million for the Period. Loss attributable to this business segment amounted to approximately HK\$2.51 million for the Period (six months ended 30 June 2022: loss of approximately HK\$1.20 million).

The Group had expanded its wine product portfolio to a broader range and other beverage categories (including red wine, white wine, champagne and sparkling wine, whisky, Moutai and Chinese tea leaf) to capture the demand of young consumer. The Group is conducting its sales through three channels: (i) direct sales; (ii) online sales; and (iii) wholesale. The Group will also maintain business relationship with reputable distributors for sale of premium wine.

Fund Investment

The Group has the following investment in funds:

- (i) 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 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 OCIAM. 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.

- (ii) On 2 March 2021, the Group through its subsidiary, OCI Capital Limited, subscribed for 100 Class A Shares of OCI Equities Fund SP (“the 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.

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, the PRC through the three years term.

As at 30 June 2023, the fair value of the fund investment was approximately HK\$96.11 million (31 December 2022: approximately HK\$92.01 million), representing 24.7% of the total assets of the Group (31 December 2022: 22.0%). The fair value was determined by the present value of expected cash flows with the appropriate discount rate of each cash flow and adjusted for fund specific credit risk.

- (iii) On 26 June 2021, the Group through its subsidiary, OCI Capital Limited (“the Noteholder”), invested HKD20,000,000 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. Cash dividend is expected to be 8% per annum to be received semi-annually pursuant to the applicable PPM Supplement of the Fund at that time. The Issuer shall pay to the Noteholder the relevant dividend amount (if any) on each dividend payment date. Furthermore, the Issuer shall pay to the Noteholder the relevant extension fee balance (if any) within five (5) business days following the actual receipt of the extension fee balance by the Issuer pursuant to the PPM Supplement of the Fund.

During the year ended 31 December 2022, the Group redeemed all investment in the said Notes either by cash or in exchange of corresponding linked Class B participating shares of the Fund. As at 30 June 2023, the fair value of the Group’s investment in the Fund was HK\$4.60 million (31 December 2022: HK\$4.62 million).

- (iv) 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”) managed by ICBC Asset Management (Global) Company Limited, 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 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 23 June 2021, the Company as the Vendor and Orient Finance Holdings (Hong Kong) Limited (“Orient Finance”) as the Purchaser entered into a Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to sell and Orient Finance conditionally agreed to purchase the Company’s entire right, title and interest in certain amount of Class B Shares (“Sale Shares”) in the Sub-Fund of SPC at the consideration of no more than US\$8,000,000 (equivalent to approximately HK\$62,400,000) with a post-completion guarantee clause that in the event that the SPC redeems the participating shares held by the Purchaser at the expiry of the investment term of the Sub-Fund (i.e. 2 June 2022), the sum of entitlement of the Purchaser as the holder of the Sale Shares comprising the aggregate of all the returns, distributions, income, and other payments received or accrued on the Sale Shares since completion plus the redemption proceeds paid or payable to the Purchaser is less than the consideration paid by the Purchaser, the Vendor shall pay to the Purchaser such shortfall within five (5) business days upon receipt of written notice from the Purchaser. At 27 August 2021, 7,900 shares was sold to Orient Finance at the consideration of US\$7.51 million.

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.

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 NAV of the Fund decreased further. The NAV of Class B shares as at 28 February 2022 is zero. The chance of regaining value to acquisition value by the expiry of the Fund is remote, hence a full provision for the post-completion guarantee on the 7,900 Class B shares sold to Orient Finance on their acquisition value of US\$7.51 million, equivalent to HK\$58.57 million was made in the year ended 31 December 2021.

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 was zero by that time, the Company and the Purchaser get nil return from the Fund. The Company recorded a loss from this fund investment of approximately HK\$28.83 million for the six months ended 30 June 2022.

For the provision of the post-completion guarantee of US\$7.51 million payable to Orient Finance, US\$4.51 million was settled up to 30 June 2023. Based on the repayment terms agreed with Orient Finance, the remaining balance of US\$3.00 million (equivalent to HK\$23.54 million) will be settled by end of the year 2023.

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, in total, amounted to gain of approximately HK\$4.09 million (six months ended 30 June 2022: loss of approximately HK\$31.54 million). Profit for the Period attributed to this business segment amounted to approximately HK\$2.86 million (six months ended 30 June 2022: loss of approximately HK\$50.88 million). The turnaround from a loss to a profit was mainly due to (i) the recognition of fair value gain of investments amounting to approximately HK\$3.91 million for the Period as compared to a fair value loss of approximately HK\$36.04 million for the six months ended 30 June 2022; and (ii) the recognition of net reversal of impairment loss on fixed income investment notes of approximately HK\$0.45 million for the Period as compared to an impairment loss of approximately HK\$12.02 million for the for the six months ended 30 June 2022.

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.

As at 30 June 2023, the Group held interests in the following investments which were recognised as debt investments at amortised costs in the consolidated statement of financial position of the Group:

- (i) US\$15 million 10% senior secured guaranteed notes (“RD Note”) issued by Rundong Fortune Investment Limited (“RD Note Issuer”) matured on 15 April 2019. The RD Note was secured by a charge over 78,000,000 shares of China Rundong Auto Group Limited (China Rundong Charged Shares), a company listed on the Stock Exchange (stock code: 1365). The Group issued an EOD Notice to the RD Note Issuer and demanded for payment from RD Note Issuer on 16 April 2019. Then the Group sold 2,019,000 China Rundong Charged Shares and subsequently also contracted with LanHai International Trading Limited (覽海國際貿易有限公司) and Ms. Ding Yi (丁怡) (“RD Charged Share Purchasers”), to sell the remaining 75,981,000 China Rundong Charged Shares (“Remaining RD Shares”) for HK\$80 million. On 16 August 2019, a Writ of Summons to RD Charged Share Purchasers was filed to the high court of Hong Kong Special Administrative Region, details of which was set out in the Group’s annual report 2019. Up to the date of this announcement, 8,310,000 China Rundong Charged Shares was disposed in open market for cash return of approximately HK\$8.76 million. The total exposure as at 30 June 2023 was approximately HK\$108.69 million (31 December 2022: approximately HK\$108.33 million) after amounts recovered from the sale of part of collateral and exchange difference arising from translation of US\$ to HK\$.

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 Charged Share Purchasers. Further Witness Statement was exchanged and our case management conference hearing was held on 29 November 2021. The case trial date is fixed on 5 October 2023.

As the trading of the China Rundong Charged Shares was suspended since 1 April 2021 and subsequently delisted on 31 October 2022, full impairment provision was made against the Group’s investment in RD Note as at 30 June 2023 and 31 December 2022.

- (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.

In October 2018, the Group issued an EOD Notice to the SP Note Issuer and demanded for payment from the Sanpower Group Co., Ltd. and Mr. Yuan Yafei 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 of which were set out in the Group’s annual report 2018 and 2019. The Company received notice from the Sanpower Group on 8 December 2021 that the Restructuring Plan of Sanpower Group was passed. The Restructuring Plan 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 Restructuring Plan will last through 2021 to 2028. The Company is registered as one of the Sanpower’s debtors and will be notified by Sanpower Group for their updates on the Restructuring Plan.

The total exposure of the SP Note as at 30 June 2023 was approximately HK\$101.87 million (31 December 2022: approximately HK\$101.53 million).

As at 30 June 2023, the carrying amount of the SP Note was approximately HK\$16.14 million (31 December 2022: approximately HK\$15.04 million), after a provision for impairment loss as at 30 June 2023 of approximately HK\$85.73 million (31 December 2022: approximately HK\$86.49 million), representing approximately 4.1% of the consolidated total assets of the Group (31 December 2022: approximately 3.6%).

Valuation of the carrying amount of the SP Note was based on the closing price as at 30 June 2023 of 131,000,000 C.banner Shares (31 December 2022: 131,000,000) that secured the SP Note of HK\$0.176 per share (31 December 2022: HK\$0.164) and a lack of marketability discount of 30% (31 December 2022: 30% discount) was applied.

US Dollar Debt Fund

As at 30 June 2023, the Group was the only investor of this fund and all the debt investments in this fund were regarded as proprietary trade in the Group's financial statements. The details of the debt investment in the US Dollar Debt Fund were as follows:

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. On 24 January 2023, a restructuring scheme was approved by the court, under which the creditors were offered with different new bonds for selection by 9 January 2024 to exchange for the CFLD Note. During the Period, the Group had submitted an application for the selection of new bonds under the restructuring scheme, and up to the date of this announcement, the application process was in progress and the Group has not received the new bonds yet. Independent valuer was engaged to assess the expected credit loss of the CFLD Note.

As at 30 June 2023, the carrying amount of the CFLD Note was HK\$2.00 million (31 December 2022: HK\$2.31 million), after a provision for impairment loss from expected credit loss assessment as at 30 June 2023 of HK\$19.06 million (31 December 2022: HK\$18.68 million), representing 0.5% of the consolidated total assets of the Group (31 December 2022: 0.6%).

Equity Securities

During the year ended 31 December 2022, the Group invested HK\$14.80 million in the listed shares and warrants of three listed Special Purpose Acquisition Companies ("SPACs") in the Stock Exchange with the prospect of making capital gain when the SPACs go for De-SPACs within a pre-defined time period after listing. As at 30 June 2023, the carrying amount of the investments in SPACs was HK\$13.46 million (31 December 2022: HK\$13.63 million). A net fair value loss on the investments in SPACs amounting to HK\$0.17 million was recorded for the Period (six months ended 30 June 2022: loss of HK\$0.82 million).

LIQUIDITY, FINANCIAL ANALYSIS AND CAPITAL STRUCTURE

As at 30 June 2023, the Group's fixed-rate, unsecured revolving facilities of US\$100 million from Cheer Hope Holdings Limited, one of the Group's substantial shareholders, has expired and the Group is negotiating with the lender for an extension of the facilities. The outstanding principal amount of the loan as at 30 June 2023 amounted to US\$4.50 million.

The gearing ratio of the Group as at 30 June 2023 was approximately 25.2% (31 December 2022: approximately 37.5%), calculated based on total amount of borrowings, amount due to a related party, and lease liabilities of approximately HK\$73.65 million (31 December 2022: approximately HK\$110.02 million) divided by total equity of approximately HK\$292.44 million (31 December 2022: approximately HK\$293.64 million) as at that date.

The Group's bank balances and cash as at 30 June 2023 amounted to approximately HK\$178.04 million (31 December 2022: approximately HK\$230.57 million). Its total assets as at the same date were approximately HK\$389.19 million (31 December 2022: approximately HK\$417.56 million).

The Group recorded net current assets of approximately HK\$274.74 million (31 December 2022: HK\$274.23 million) and inventories decreased from approximately HK\$6.26 million as at 31 December 2022 to approximately HK\$6.00 million as at 30 June 2023. The current ratio of approximately 4.1 times (31 December 2022: approximately 3.4 times) is calculated based on the current assets of approximately HK\$363.92 million (31 December 2022: approximately HK\$389.02 million) over the current liabilities of approximately HK\$89.19 million (31 December 2022: approximately HK\$114.79 million).

As at 30 June 2023 and 31 December 2022, the issued capital of the Company was approximately HK\$15.00 million.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not carry out any material acquisition nor disposal of subsidiaries, associates and joint ventures during the Period.

PROSPECTS FOR THE YEAR 2023 AND DEVELOPMENT PLAN

Global economy has been affected by the COVID-19 pandemic for over three years. Following the relaxation of most of the pandemic-related control measures and reopening of borders all over the world, most of the commercial activities have gradually resumed normal. However, economic recovery and long-term prosperity have been loomed over by various uncertainties, including but not limited to, the pace and extent of interest rate hikes and monetary tightening by major central banks; worries about global economic outlook; the health of Mainland China's property sector; and prolonged geopolitical risks related to Ukraine, etc. Looking ahead, the general economies and the Group's operations and development are still challenging.

The Group will stay focus on development of asset management business and actively optimize its investment portfolio with high potential with a view to realizing synergetic effect with existing clients and strategic partners in order to help investors to achieve their wealth appreciation goals through asset management. During the year 2022, the Healthcare Investment Fund was set up with a targeted capital commitment to be raised ranging from US\$1.5 billion to US\$1.9 billion, and is expected to invest in the healthcare industry. On the other hand, in addition to the acquisition of 60% equity interest in Shandong Civil Aviation Dongsheng on 23 May 2022, the Group will continue to explore other potential business in the PRC so as to expand the existing business and enhance the Group's performance.

The creation of a listing regime by the Stock Exchange for SPAC since 1 January 2022 provides another means for the Group to expand its asset management business through turning structured project funds into listed companies. The Group has submitted an application to the Stock Exchange for listing of a SPAC, named Pisces Acquisition Corporation, on 2 March 2022, and the listing process was still in progress.

The Group had obtained Type 1 (dealing in securities) license granted by SFC on 28 July 2021, more resources will be allocated for the development of this business, including participating in underwriting, sub-underwriting and placing of securities transactions, to diversify the income source of the Group.

The revenue from trading of wines and beverage for the Period was affected by the slow pace of recovery of general economic situation in Hong Kong and Mainland China, competition from online shops, and that some consumers have chosen to travel and spend overseas after the reopening of borders. The management of the Group considers that these impacts are temporary and will keep on with the existing strategy in expanding its wine product portfolio to a broader range and other beverage categories and conducting marketing and promotion activities, such as wine tasting campaigns, to boost sales.

In addition to the existing businesses, the Board will cautiously and diligently explore new potential expansion opportunities, such as Fintech related business, in order to diversify income sources, bring in profits and sustainable growth to the Group.

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 Hong Kong dollars, Euro and Sterling Pound. However, the operations of the Group's 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 2022: Nil). The Board did not recommend any dividend payment for the Period (six months ended 30 June 2022: Nil).

PLEDGE OF ASSETS

As at 30 June 2023 and 31 December 2022, no secured borrowings were outstanding.

CAPITAL COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group had an outstanding commitment of RMB3,000,000 for the capital injection to Shandong Civil Aviation Dongsheng.

CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Directors are not aware of any material contingent liabilities.

EMPLOYEE POLICY

As at 30 June 2023, the Group employed 1 employee in the PRC and 30 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

A share option scheme (the "2012 Share Option Scheme") has been adopted by the Company pursuant to a shareholder's resolution passed on 17 December 2012 and expired on 16 December 2022.

A new Share Option Scheme (the "New Share Option Scheme") has been adopted by the Company pursuant to a shareholder's resolution passed on 23 June 2023.

The purposes of the New Share Option Scheme are to attract and retain the best available personnel, to reward Participants who have contributed or will contribute to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

Participants include the Employee Participants, Related Entity Participants and Service Providers. The eligibility of each of the Participant shall be determined by the Board from time to time on the basis of the Participant's contribution or potential contribution to the development and growth of the Group.

In assessing the eligibility of Employee Participants, the Board will consider, among others, (i) their skills, knowledge, experience, expertise and other relevant personal qualities; (ii) their performance, time commitment, responsibilities or employment conditions and the prevailing market practice and industry standard; (iii) their contribution made or expected to be made to the growth of the Group; and (iv) their educational and professional qualifications, and knowledge in the industry.

In assessing the eligibility of Related Entity Participants, the Board will consider, among others, (i) the positive impacts brought by, or expected from, the Related Entity Participant on the Group's business development in terms of an increase in turnover or profits and/or an addition of expertise to the Group; (ii) the period of engagement or employment of the Related Entity Participant by the Group; (iii) whether the Related Entity Participant has referred or introduced opportunities to the Group which have materialised into further business relationships; (iv) whether the Related Entity Participant has assisted the Group in tapping into new markets and/or increased its market share; and (v) the materiality and nature of the business relation of holding companies, fellow subsidiaries or associated companies with the Group and the Related Entity Participant's contribution in such holding companies, fellow subsidiaries or associated companies of the Group which may benefit the core business of the Group through a collaborative relationship.

Amongst the Service Providers eligible for the granting of the Options:

- (i) advisers and consultants are those who would play significant roles in the Group's business development by contributing their specialised skills and knowledge in the business activities of the Group on a continuing and recurring basis. Such advisers and consultants would possess industry-specific knowledge or expertise or valuable experience or deep understanding or insight in the business of the Group. Their continuing and recurring engagement and cooperation with the Group would benefit the Group with frequent and successive strategic advice and guidance in its ordinary and usual course of business, which are substantively comparable to contributions of highly-skilled or executive employees of the Group; and
- (ii) distributors, contractors, suppliers and agents are to directly contribute to the long-term growth of the Group's business by taking roles or providing services that are in a continuing and recurring nature in its ordinary and usual course of business. The works of distributors, contractors, suppliers and agents include, among others, provision of advisory services, consultancy services, sales and marketing services, technology services and/or administrative services to the Group, and their performances will contribute to the operating performance and financial results of the Group.

In assessing the eligibility of Service Providers, the Board will consider, among others:

- (i) in respect of advisers and consultants, their expertise, professional qualifications and industry experience; their performance and track record, including whether the Service Providers have a proven track record of delivering quality services; the prevailing market fees chargeable by other services providers; the Group's period of engagement of or collaboration with the Service Providers; and their actual or potential contribution to the Group in terms of a reduction in cost or an increase in turnover or profit; and
- (ii) in respect of distributors, contractors, suppliers and agents, the scale of the Service Providers' business dealings with the Group in terms of purchases or sales attributable to them; their ability to maintain the quality of services; their performance and track record, including whether the Service Providers have a proven track record of delivering quality services; the benefits and strategic value brought by the Service Providers to the Group's development and future prospects in terms of the profits and/or income attributable to the Service Providers' collaboration with the Group; the scale of the Service Providers' collaboration with the Group and the length of business relationships between the Service Providers and the Group; and the business opportunities and external connections that the Service Providers have introduced or will potentially introduce to the Group.

On and subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time and from time to time within the Scheme Period (as defined below) to make an Offer to any Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, which may include a condition that the Grantee shall not dispose of the Shares issued upon exercise of the Option within such period of time or under such conditions as the Board may at its absolute discretion determine, the vesting period for the Option to be granted and the performance targets, if any, attached to the Options to be granted under the New Share Option Scheme, to subscribe during the Option Period (as defined below) for such number of Shares (being a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof) as the Board may determine at the Exercise Price provided always that an Offer made to such Participant will not constitute an invitation to the public to subscribe for the Shares under any applicable legislations.

An Offer shall be made to a Participant on a business day in writing in such form as the Board may from time to time determine, requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of five business days from the Offer Date (inclusive of the Offer Date) provided that no such Offer shall be open for acceptance after the Scheme Period (subject to early termination thereof).

An Offer shall be deemed to have been accepted and an Option to which the Offer relates shall be deemed to have been granted and accepted and to have taken effect on the Offer Date when a letter in such form as the Board may from time to time determine signifying acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within five business days from the Offer Date (inclusive of the Offer Date). Such remittance shall in no circumstances be refundable.

Any Offer shall be accepted in its entirety and shall under no circumstances be accepted of less than the number of Shares for which it is offered. To the extent that the Offer is not accepted within five business days, it shall be deemed to have been irrevocably rejected by the Participant and the Offer shall lapse and become null and void.

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 2012 Share Option Scheme.

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 second 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, 63,000,000 Share Options are outstanding under the Company’s Share Option Scheme.

The number of shares that are available for grant under the New Share Option Scheme at the beginning and the end of the reporting period is Nil and 149,974,992 Shares.

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 New Share Option Scheme is 10 years commencing on 23 June 2023 and will expire on 22 June 2033. Accordingly, the remaining life of the New Share Option Scheme as at the date of this announcement is approximately 10 years.

CONVERTIBLE SECURITIES OR OTHER SIMILAR RIGHTS

The Company has no outstanding convertible securities or similar rights in issue as at 30 June 2023.

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 THE REPORTING PERIOD

Save as disclosed in this announcement, the Group had no material event 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.

Under the code provision C.2.1, the roles of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The divisions of responsibilities between the chairman and CEO should be clearly established and set out in writing. During the Period, Mr. Jiao Shuge was the Chairman of the Board and re-designated as the CEO of the Company on 18 May 2023. This constitutes a deviation from the code provision C.2.1. However, the Chairman of the Board and CEO, Mr. Jiao Shuge, who is also being appointed as Executive Director on 18 May 2023, has led the Board and ensured that the Board worked together as a whole and the decisions of the Board were implemented. All important issues are discussed in a timely manner on a fully informed basis and in the best interests of the Company. Mr. Jiao Shuge also manages the strategic development of business and operation of the Group while the Group develops its business with his leadership in the Board.

COMPLIANCE WITH RULES 3.10(2), 3.21 AND 3.25 OF THE LISTING RULES

Reference is made to the announcement of the Company dated 23 December 2022 in relation to, among other things, the non-compliance with Rules 3.10(2), 3.21 and 3.25 of the Listing Rules. Pursuant to Rule 3.10(2) of the Listing Rules, every board of directors of a listed issuer must include at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. In addition, Pursuant to Rule 3.21 of the Listing Rules, every listed issuer must establish an audit committee comprising non-executive directors only and the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The audit committee must be chaired by an independent non-executive director. Pursuant to Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors.

Following the appointment of Mr. Chong Ka Yee as an independent non-executive director, the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee; and the appointment of Dr. Lo Wing Yan William as the chairman of the Remuneration Committee,

- (i) the Company has include at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules;
- (ii) the Audit Committee comprising non-executive directors only and the Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; and
- (iii) the Remuneration Committee is chaired by an independent non-executive Director and comprises a majority of independent non-executive Directors, which meets the requirement under Rule 3.25 of 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. Chong Ka Yee (Chairman), Mr. Tso Siu Lun Alan, Mr. Li Xindan and Dr. Lo Wing Yan William.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim result is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.oci-intl.com. The 2023 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
Chairman and Chief Executive Officer

Hong Kong, 30 August 2023

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

Executive Director:

Mr. Jiao Shuge
(Chairman and Chief Executive Officer)

Non-executive Directors:

Mr. Wu Guangze
Mr. Feng Hai
Mr. Wei Bin

Independent non-executive Directors:

Mr. Chong Ka Yee
Mr. Tso Siu Lun Alan
Mr. Li Xindan
Dr. Lo Wing Yan William