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International Standard Resources Holdings Limited

標準資源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 91)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2018

Reference is made to the annual report of International Standard Resources Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2018 (the “**2018 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2018 Annual Report.

As disclosed in the 2018 Annual Report, the auditor of the Company (the “**Auditor**”) issued a disclaimer of opinion on the consolidated financial statement of the Group for the year ended 31 December 2018 on material uncertainty on the Group’s ability to continue as a going concern.

The board of directors of the Company would like to provide the following supplemental information relating to the Audit Qualification:

- According to the working capital forecast for the period from 1 March 2019 to 31 March 2020 which was prepared in March 2019, the expected funding raising needs for repayment of the Company’s debts and working capital needs for the period ending 31 March 2020 is approximately HK\$50 million and taking into account the followings:
 - (i) repayment of debts of approximately HK\$43 million due on or before 31 March 2020 (for details, please refer to Note 1 below); and

- (ii) working capital of approximately HK\$121 million; including:
 - (a) approximately HK\$81 million for the payment of operating and administrative expenses for the period from 1 March 2019 to 31 March 2020;
 - (b) HK\$10 million for the minimum requirement of liquid capital needed to be maintained in order to fulfil the requirement of the Stock Exchange for approving the application for the admission as a stock exchange participant of the Stock Exchange and a direct clearing participant of HKSCC, by a wholly-owned subsidiary of the Company, International Standard Resources Securities Limited, which holds two licenses granted by the SFC, namely Type 1 (Dealing in Securities) and Type 4 (Advising on Securities);
 - (c) approximately HK\$15 million for the payment of interests of the promissory notes, corporate bonds and convertible notes due on or before 31 March 2020; and
 - (d) approximately HK\$15 million for working capital level maintain in the Group.

The working capital forecast was prepared with reference to the historical financial information of the Group and based on the key assumptions that (i) there is no substantial change of business of the Group; (ii) there is no substantial change in the economic conditions in place where the Group carries out its business activities; and (iii) there is no other substantial capital expenditure by the Group.

As at 1 March 2019, the Group had cash and bank balances of approximately HK\$4 million, taken the consideration of (i) the loan facility of HK\$50 million that can be utilised during the period up to March 2020; (ii) the settlement amount of HK\$50 million from litigation received in March 2019; (iii) the expected proceeds from the disposals of financial assets at fair value through profit and loss of approximately HK\$10 million based on the market price as at March 2019; and (iv) the expected amount of HK\$50 million from potential fund raising activities; it is expected that these funds are sufficient to settle the outstanding debts of HK\$43 million due on or before 31 March 2020 and the working capital needs of HK\$121 million from 1 March 2019 to 31 March 2020 as set out in the above.

Note:

1. The amount of outstanding debts of the Group as at 31 March 2019 are set out below:

Nature or Identity of the creditor	Principal amount <i>HK\$ (million)</i>	Repayment terms or maturity date	Interest rate
Corporate bondholder	1	Due in November 2019	7% per annum
Corporate bondholders	27	Due in November 2019	6% per annum
Corporate bondholder	1	Due in December 2019	7% per annum
Corporate bondholders	9	Due in December 2019	6% per annum
Corporate bondholder	<u>5</u>	Due in February 2020	6% per annum
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- The Company has preliminary agreed with the Auditor that the financial position will be improved at 31 December 2019 if equity fund raising activities can be performed and the amount is adequate to cover the Group's debts and working capital. It is expected that the proposed fund raising plans (of not less than HK\$50 million) will resolve the funding need of the Group up to the period ending 31 March 2020. In order to remove the disclaimer of opinion in the 2019 financial statements, the Auditor need to review and assess the cash flow forecast of the Group which will be prepared by the management at the time before the release of the 2019 financial statements to cover a period of at least 12 months, i.e. from the date of report in March 2020 to 31 March 2021. If the Auditor does not have any doubt on the cash flow forecast and assumptions, then the Audit Qualification will be resolved.

- On 13 June 2019, the Company proposed to raise approximately HK\$28.75 million, before expenses, by way of a rights issue, and approximately HK\$5.75 million by way of bonus warrant issue; details of which can be found in the announcement of the Company dated 13 June 2019. Apart from the above, the Company will continue to explore any other possible fund raising opportunity with a view to satisfy the Auditor.

By order of the Board
International Standard Resources Holdings Limited
Tam Tak Wah
Executive Director

Hong Kong, 30 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Wai Keung, Mr. Tam Tak Wah and Ms. Tsang Ching Man and the independent non-executive directors of the Company are Mr. Chan Tsz Kit, Mr. Chan Yim Por Bonnie, Mr. Albert Saychuan Cheok (Chairman) and Mr. Wang Li.