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PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED

昌興國際控股(香港)有限公司*

(Incorporated in Bermuda with limited liability)

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

(Stock Code: 803)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The board of directors (the “Directors”) of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated results of Prosperity International Holdings (H.K.) Limited (“Prosperity” or the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2020, together with the comparative figures for the corresponding period of last year, as follows:

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		30 September	
		2020	2019
		(Unaudited)	(Unaudited)
<i>Note</i>		HK\$'000	HK\$'000
	Revenue	383,713	1,225,853
	Cost of goods sold	<u>(315,529)</u>	<u>(1,054,390)</u>
	Gross profit	68,184	171,463
	Other income	5,927	11,761
	Selling and distribution costs	(24,512)	(20,803)
	Administrative expenses	<u>(74,890)</u>	<u>(103,485)</u>
	(Loss)/profit from operations	(25,291)	58,936
	Finance costs	(105,415)	(111,663)
	Reversal of allowance for trade and bills receivables	8,615	–
	Allowance for other receivables	–	452
	Share of losses of associates	(2,439)	(3,086)
	Share of loss of a joint venture	–	(972)
	Fair value losses on financial assets		
	at fair value through profit or loss	(13,000)	(35,518)
	Loss on liquidation of a subsidiary	(40,395)	–
	Fair value gains on investment properties	23,320	7,146
	Loss on disposal of a subsidiary	–	(830)
	Gain on disposal of an associate	–	1,059
	Gain on partial disposal of a joint venture	–	423
	Net losses on disposals of financial assets		
	at fair value through profit or loss	–	(10,898)
	Net gain on disposals of financial assets		
	at fair value through other comprehensive income	–	1,143
	Loss before tax	(154,605)	(93,808)
	Income tax (expense)/credit	(2,998)	8,848
	Loss for the period	<u>(157,603)</u>	<u>(84,960)</u>
	Attributable to:		
	Owners of the Company	(165,775)	(93,419)
	Non-controlling interests	8,172	8,459
		<u>(157,603)</u>	<u>(84,960)</u>
	Loss per share		
	— basic (HK cents)	<u>(12.34)</u>	<u>(7.07)</u>
	— diluted (HK cents)	<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(157,603)</u>	<u>(84,960)</u>
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of financial assets at fair value through other comprehensive income, net of tax	(1,547)	(58,009)
<i>Item that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>86,651</u>	<u>(186,182)</u>
Other comprehensive income for the period, net of tax	<u>85,104</u>	<u>(244,191)</u>
Total comprehensive income for the period	<u><u>(72,499)</u></u>	<u><u>(329,151)</u></u>
Attributable to:		
Owners of the Company	(108,107)	(239,326)
Non-controlling interests	<u>35,608</u>	<u>(89,825)</u>
	<u><u>(72,499)</u></u>	<u><u>(329,151)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
<i>Note</i>		
Non-current assets		
Property, plant and equipment	97,567	126,639
Investment properties	2,032,196	1,960,264
Right-of-use assets	24,998	25,637
Other intangible assets	487,906	488,623
Investments in associates	101,135	101,737
Financial assets at fair value through profit or loss	73,000	86,000
Deferred tax assets	93,572	91,300
	2,910,374	2,880,200
Current assets		
Inventories	2,979,833	2,842,709
Financial assets at fair value through profit or loss	8	8
Financial assets at fair value through other comprehensive income	78,535	73,878
Trade and bills receivables	25,661	44,943
Prepayments, deposits and other receivables	374,675	287,638
Current tax assets	594	270
Bank and cash balances	313,164	222,759
	3,772,470	3,472,205
Assets classified as held for sale	–	18,967
	3,772,470	3,491,172
TOTAL ASSETS	6,682,844	6,371,372

		As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
	<i>Note</i>		
Capital and reserves			
Share capital	12	134,365	134,365
Reserves		<u>(956,761)</u>	<u>(848,654)</u>
Equity attributable to owners of the Company		<u>(822,396)</u>	<u>(714,289)</u>
Non-controlling interests		925,167	889,559
Total equity		<u>102,771</u>	<u>175,270</u>
Non-current liabilities			
Bank borrowings		40,008	50,206
Other borrowings		–	6,359
Lease liabilities		11	20
Deferred tax liabilities		<u>424,357</u>	<u>422,841</u>
		<u>464,376</u>	<u>479,426</u>
Current liabilities			
Trade and bills payables	13	704,991	689,931
Other payables and deposits received		3,326,311	2,553,820
Current portion of lease liabilities		349	705
Current portion of bank borrowings		483,481	876,034
Other loans		298,678	290,813
Other borrowings		259,568	276,775
Convertible bonds		30,000	30,000
Guaranteed notes		140,400	140,400
Current portion of bonds		332,400	332,400
Current tax liabilities		<u>539,225</u>	<u>525,798</u>
		<u>6,115,697</u>	<u>5,716,676</u>
Total liabilities		<u>6,580,073</u>	<u>6,196,102</u>
TOTAL EQUITY AND LIABILITIES		<u>6,682,844</u>	<u>6,371,372</u>
Net current liabilities		<u>(2,343,227)</u>	<u>(2,225,504)</u>
Total assets less current liabilities		<u>567,147</u>	<u>654,696</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Units 1405–1407 Dominion Centre, 43–59 Queen’s Road East, Wan Chai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company is an investment holding company.

Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2020 except as stated below.

Going Concern Basis

- (a) During the six months ended 30 September 2020, the Group incurred a net loss of approximately HK\$157,603,000 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$2,343,227,000. The Group’s total financial obligations as at 30 September 2020 amounted to approximately HK\$1,584,895,000 while its cash and cash equivalents amounted to approximately HK\$313,164,000 only.
- (b) On 28 November 2019, a winding up petition together with the application for the appointment of joint and several provisional liquidators of the Company on a light touch approach for restructuring purposes was presented and filed with the Supreme Court of Bermuda (the “Bermuda Court”) by the Company’s Bermuda counsel at the request of the Company (the “JPL Application”). The purpose of the JPL Application is to enable the Company to continue its orderly financial restructuring with the assistance of the Bermuda Court.
- (c) On 22 November 2019, 18 December 2019 and 3 January 2020 respectively, the Company was served with a number of writs of summons issued by the Court of First Instance of the High Court of Hong Kong and by two People’s Courts of Guangdong Province, with O-Bank Co., Ltd (“O-Bank”) as the plaintiff and subsidiaries of the Company as defendants for default in banking facilities granted by O-Bank to the Group. On 17 January 2020, the Company was further served with a writ of summon issued by the People’s Courts of Guangdong Province, with Industrial and Commercial Bank of China Limited (“ICBC”) as the plaintiff and subsidiaries of the Company as defendants for default in banking facilities granted by ICBC to the Group. The claimed principal and interests amounts under of the aforementioned writs of summons are approximately HK\$681,670,000 and HK\$22,648,000 respectively (the “Default Borrowings”), together with ancillary reliefs and costs.

Furthermore, on 29 July 2020 and 10 August 2020, a number of writs of summons were issued by the Intermediate People’s Court of Yancheng City in Jiangsu Province and People’s Court of Wuzhong District, Suzhou Province, with two property constructors of the Group, as the plaintiffs and subsidiaries of the Company as defendants for default in construction cost owing by the Group to the property constructors. The claimed amounts under the aforementioned writs of summons of are approximately HK\$268,458,000. Furthermore, one of the property constructors had also claimed for the remaining outstanding amount owing by the Group of approximately HK\$286,504,000 through its legal representative.

On 8 June 2020, an individual payable of the Group had filed a lawsuit against a subsidiary of the Group via the People's Court of Wuzhong District, Suzhou Province. The claimed amount is approximately HK\$85,937,000.

On 28 September 2020, the People's Court of Xuhui District of Shanghai (the "People's Court of Xuhui District") issued a summons to Zhejiang Changxing Investment Co., Ltd ("Zhejiang Changxing"), an indirect wholly-owned subsidiary of the Company, and Suzhou Jiaxin Real Estate Development Company Limited ("Suzhou Jiaxin"), an indirect 55%-owned subsidiary of the Company, respectively. According to the summons, the People's Court of Xuhui District has accepted a claim filed by Liu Xiaoxia (as the plaintiff) against each of Zhejiang Changxing (as the first defendant) and Suzhou Jiaxin (as the second defendant) over, among other things, (i) the alleged unpaid outstanding principal, accrued interests and charges of a loan owed by Zhejiang Changxing and guaranteed by Suzhou Jiaxin to the plaintiff in an aggregate amount of RMB23,265,753.42, and (ii) the alleged default penalty of RMB4,000,000. For further details, please refer to the Company's announcement dated 6 October 2020.

For further litigation cases after the current period, please refer to the section under "events after the reporting period"

On 2 April 2020 and 24 April 2020, the Group has remedied the breaches under O-Bank and ICBC by entering into two settlement plans. However, negotiations with the two property constructors and the individual payable are underway and certain repayments have been made.

- (d) Up to the date of this announcement, the Group was also in default in respect of the financial obligation of approximately HK\$1,535,669,000. Negotiations with bondholders and lenders are underway and no extensions to the repayment dates have been obtained from these parties up to the date of this announcement.

These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the directors of the Company have, during the year and up to the date of the approval of these unaudited condensed consolidated financial statements, taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group and to restructure its financial obligations:

- (a) negotiating with the institutions and/or persons providing finance to extend the maturity dates of the Group's financial obligations;
- (b) raising of additional capital from the public market;
- (c) accelerating the pre-sales and sales of properties under development and completed properties;
- (d) implementing measures to speed up the collection of outstanding sales proceeds;
- (e) disposal of Guangzhou Fuchun Dongfang Real Estate Investment Company Limited ("Guangzhou Fuchun") for a cash consideration of approximately RMB547,000,000 (equivalent to approximately HK\$610,000,000); of which the whole proceeds would be used for settlement of bank borrowings upon the completion of disposal;
- (f) disposal of Greater Sino Investments Limited ("Greater Sino") for a consideration of approximately HK\$335,000,000 that would be settled by setting off with equivalent debt amount assigned to the purchaser prior to the completion of disposal; and
- (g) the directors of the Company have been taking various cost control measures to tighten the costs of operations.

Notwithstanding the above, the directors acknowledge that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern. Whether the Group will be able to continue as a going concern depends upon the Group's ability to generate adequate financing and operating cash flows through the following:

- (a) the successful negotiations with the constructors and lenders for the renewal of or extension for repayment for those construction costs and borrowings, including those construction costs payables, loan principals and interests that are already overdue;
- (b) the successful obtaining of additional new sources of financing as and when needed;
- (c) successfully accelerating the presales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and deferring capital expenditure for the Group's projects held on hand so as to generate adequate net cash inflows;
- (d) the successful maintenance of relationship with the Group's suppliers and constructors and the Group's ability to settle its obligations to its suppliers and constructors on a timely basis such that (i) no further actions will be taken by those suppliers and constructors against the Group; and (ii) those constructors who have currently suspended construction activities on the Group's properties under development for sale as at 30 September 2020 agree to complete the construction in accordance with the scheduled or re-scheduled timescales and construction costs;
- (e) the successful completion of the disposals of Guangzhou Fuchun and Greater Sino with whole proceeds used for settlement of bank borrowings or setting off with equivalent debt amount assigned to the purchaser, which is subject to the shareholders' approval in the extraordinary general meetings;
- (f) the successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms; and
- (g) successfully managing the impact of the COVID-19 outbreak, given any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash from its operations.

Should the Group be unable to operate as a going concern for the foreseeable future, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the unaudited condensed consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior periods.

		Effective for the financial periods beginning on or after
HKFRS 3	Amendments in relation to Definition of a Business	1 January 2020
HKAS 1 and 8	Amendments in relation to Definition of Material	1 January 2020
HKFRS 7, HKFRS 9 and HKAS 39	Amendments in relation to Hedge Accounting Requirements	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current	1 January 2022
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

The Group was principally engaged in real estate investment and development, mining and trading of iron ore and raw materials, and trading of clinker, cement and other building materials during the six months ended 30 September 2020. The Group's revenue represents the sales of goods to customers, net of discount and returns, and the rental income received from real estate leasing.

In the following table, revenue is disaggregated by timing of revenue recognition.

	For the six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
— <i>Recognised at a point in time</i>		
— Trading of iron ore and raw materials	69,531	448,319
— Trading of clinker, cement and other building materials	199,999	225,324
— Sales of properties	88,308	499,177
— Others	5,077	10,039
Revenue from other sources: rental income	20,798	42,994
	383,713	1,225,853

4. OTHER INCOME

	For the six months ended	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Commission received	–	399
Despatch income	541	37
Interest income	264	4,239
Rental income for lease of machineries	–	58
Others	5,122	7,028
	<u>5,927</u>	<u>11,761</u>

5. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. In the manner consistent with the way in which information is reported internally to the Group's chief operating decision makers ("CODM") for the purpose of resources allocation and performance assessment, the Group has identified the following three reportable segments:

- (i) Real estate investment and development;
- (ii) Mining and trading of iron ore and raw materials; and
- (iii) Trading of clinker, cement and other building materials.

Other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 for determining reportable segments are combined as "all other segments".

Segment assets and liabilities of the Group are not reported to the Group's CODM regularly. As a result, reportable segment assets and liabilities have not been presented in these condensed consolidated financial statements.

	Real estate investment and development	Mining and trading of iron ore and raw materials	Trading of clinker, cement and other building materials	All other segments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended					
30 September 2020 (Unaudited)					
Revenue from external customers	109,106	74,608	199,999	–	383,713
Segment (loss)/profit	<u>(7,071)</u>	<u>(18,813)</u>	<u>4,560</u>	<u>(1,732)</u>	<u>(23,056)</u>
For the six months ended					
30 September 2019 (Unaudited)					
Revenue from external customers	542,171	448,319	225,324	10,039	1,225,853
Intersegment revenue	300	–	–	–	300
Segment profit/(loss)	<u>116,649</u>	<u>(18,325)</u>	<u>1,468</u>	<u>(12,095)</u>	<u>87,697</u>

Reconciliation of reportable segments revenue and profit or loss:

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Total revenue from reportable segments	383,713	1,226,153
Elimination of intersegment revenue	–	(300)
	<u>383,713</u>	<u>1,225,853</u>
Profit or loss		
Total profit or loss of reportable segments	(23,056)	87,697
Other profit or loss	–	381
Share of losses of associates	(2,439)	(3,086)
Share of loss of a joint venture	–	(972)
Fair value losses on financial assets at fair value through profit or loss	(13,000)	(35,518)
Fair value gains on investment properties	23,320	7,146
Loss on disposal of a subsidiary	–	(830)
Gain on disposal of an associate	–	1,059
Gain on partial disposal of a joint venture	–	423
Loss on disposal of property, plant and equipment	(5,038)	–
Reversal of allowance for other receivables	–	452
Reversal of allowance of accounts receivables	8,615	–
Loss on liquidation of a subsidiary	(40,395)	–
Net losses on disposals of financial assets of fair value through profit or loss	–	(10,898)
Net gain on disposals of financial assets at fair value through other comprehensive income	–	1,143
Finance costs	(105,415)	(111,663)
Unallocated amounts	2,803	(29,142)
	<u>(154,605)</u>	<u>(93,808)</u>
Consolidated loss before tax	<u>(154,605)</u>	<u>(93,808)</u>

Geographical information:

	Revenue	
	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The PRC	185,471	991,166
Others	198,242	234,687
	383,713	1,225,853

In presenting the geographical information, revenue is based on the locations of the customers.

	Non-current assets	
	As at	As at
	30 September	31 March
	2020	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
The PRC	2,085,619	2,017,598
Malaysia	508,079	533,387
Others	48,969	50,178
	2,642,667	2,601,163

6. FINANCE COSTS

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance lease charges	–	2
Interest on bank and other borrowings wholly repayable within 5 years	42,566	89,443
Interest on guaranteed notes	33,479	6,318
Interest on bonds	40,586	6,780
Interest on lease liabilities	21	445
Effective interest expenses on a loan from a related party	5,360	5,360
Effective interest expenses on convertible bonds	–	7,525
	122,012	115,873
Less: Borrowing costs capitalised into properties under development for sale	(16,597)	(4,210)
	105,415	111,663

7. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 September	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current tax	1,945	14,939
Deferred tax	1,053	(23,787)
	<u>2,998</u>	<u>(8,848)</u>

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 September 2019: 16.5%) on the estimated assessable profit for the six months ended 30 September 2020.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the companies operate, based on existing regulation, interpretation and practices in respect thereof.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC corporate income tax at a rate of 25% (six months ended 30 September 2019: 25%) during the six months ended 30 September 2020.

Under the PRC corporate income tax law, dividends received by foreign investors from investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax of 10% unless reduced by treaty. Accordingly, deferred tax has been recognised for undistributed retained profits of PRC subsidiaries at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

Land Appreciation Tax is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

Subsidiaries incorporated in Macau as offshore limited company are exempted from income tax in Macau under Decree Law No. 58/991M.

8. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation and amortisation	7,418	16,321
Foreign exchange loss	862	573
Loss on disposal of property, plant and equipment	5,038	–
Staff costs including directors' emoluments		
Salaries, bonuses, allowances and other costs	16,979	37,620
Retirement benefit scheme contributions	572	1,149
	<u> </u>	<u> </u>

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the six months ended 30 September 2020 of approximately HK\$165,775,000 (six months ended 30 September 2019: HK\$93,419,000) and the weighted average number of ordinary shares of 1,343,649,151 (30 September 2019: 1,321,672,175) in issue during the six months ended 30 September 2020.

(b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding options during the six months ended 30 September 2020 and 2019, no diluted loss per share was presented.

10. DIVIDEND

No interim dividend has been declared by the Board for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

11. TRADE AND BILLS RECEIVABLES

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Trade and bills receivables	43,810	71,708
Allowance for doubtful debts	(18,149)	(26,765)
	<u>25,661</u>	<u>44,943</u>

In relation to the trading of clinker, cement and other building materials and iron ore and raw materials, the Group receives from each customer an irrevocable documentary credit issued at sight by a bank undertaking payment to the Group upon the presentation of relevant documents as required by the issuing bank. The Group's credit terms generally range from 0 to 90 (31 March 2020: 0 to 90) days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade and bills receivables, based on the goods delivery date, and net of allowance, is as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
0 to 90 days	23,139	44,943
181 to 365 days	2,522	–
	<u>25,661</u>	<u>44,943</u>

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each		
At 31 March 2020 (Audited), 1 April 2020 (Unaudited) and 30 September 2020 (Unaudited)	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 31 March 2020 (Audited), 1 April 2020 (Unaudited) and 30 September 2020 (Unaudited)	<u>1,343,649,151</u>	<u>134,365</u>

13. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables, based on the date of receipts of goods, is as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Not yet due	4,169	268,170
Due within 3 months or on demand	423,483	159,071
Due after 3 months	277,339	262,690
	704,991	689,931

14. CONTINGENT LIABILITIES

Financial guarantees issued

- (a) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Guarantees given to banks for mortgage facilities utilised by purchasers	278,597	268,878

Pursuant to the terms of the guarantees, if there are any defaults on the mortgages, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees will be released upon issuance of the purchasers' property ownership certificates and completion of the relevant registration of the mortgaged properties.

At 30 September 2020, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

- (b) The Group provided security to various banks for loan facilities granted to a non-controlling shareholder of a subsidiary and its subsidiary as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Security given to banks for loan facilities utilised by a non-controlling shareholder of a subsidiary and its subsidiary	<u>879,388</u>	<u>879,388</u>

Pursuant to the terms of the security, if there are any defaults on the loans, the Group shall have the right to repay the outstanding loan principals together with accrued interests and penalties owed by a non-controlling shareholder of a subsidiary and its subsidiary to the banks. The Group is then entitled to take over such percentage equity interests in the subsidiary at nil consideration.

At 30 September 2020, the Directors do not consider it probable that a claim will be made against the Group under the above security.

Property mortgage over properties of the Group with a carrying amount of approximately HK\$1,728,097,000 to secure the banking facilities of a non-controlling shareholder. At 30 September 2020, the directors do not consider it probable that a claim will be made against the Group under the above guarantees.

- (c) The Group provided security to a bank for acquisition loan facilities granted to Guangdong Fuchun Investment Company Limited (“Fuchun Investment”) in relation to the disposal of Guangzhou Fuchun as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Security given to a bank for acquisition loan facilities utilised by Fuchun Investment	<u>535,534</u>	<u>535,534</u>

Pursuant to the terms of the guarantees, if there are any defaults on the loans, the Group shall have the responsibility to repay the outstanding loan principals together with accrued interests and penalties owed by Fuchun Investment to the bank. As at 30 September 2020, the Directors do not consider it probable that a claim will be made against the Group under the above guarantees.

Save for the above, the Group and the Company did not have other significant contingent liabilities.

15. OPERATING LEASE ARRANGEMENT

Operating lease commitments — as lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 10 (31 March 2020: 1 to 10) years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

At 30 September 2020, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 30 September 2020 (Unaudited) <i>HK\$'000</i>	As at 31 March 2020 (Audited) <i>HK\$'000</i>
The following table presents the amounts reported in profit or loss:		
Within one year	43,589	61,094
In the second to fifth years inclusive	147,493	148,344
Over five years	99,734	108,063
	290,816	317,501
	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease income on operating leases	20,798	42,994

16. EVENTS AFTER THE REPORTING PERIOD

Bankruptcy Order against PT. Tritama Barata Makmur

On 13 November 2020, followed by that a bankruptcy petition (the “Bankruptcy Petition”) was filed with the Commercial Court at Central Jakarta District Court (the “Jakarta Court”) against PT. Tritama Barata Makmur (“TBM”), an indirect non-wholly owned subsidiary of the Company, by PT. Pandega Desain Weharima and CV. Media Konsultindo (“Petitioners”), on the ground that TBM is unable to repay its creditors’ outstanding debts in the aggregate amount of IDR3,786,762,902 (equivalent to approximately HK\$2,072,000), the Jakarta Court has, inter alia, (i) declared TBM in bankruptcy with all its legal consequences; and (ii) appointed DR. Turman M. Panggabean, S.H., M.JH. as the curator of TBM. For further details, please refer to the Company’s announcement dated 16 November 2020.

Claim for the outstanding loan by Long-Lasting Properties Advisors Limited

On 19 November 2020, the Company and Smart Trinity Limited, an indirect wholly owned subsidiary of the Company (“Smart Trinity”) were served with a writ of summons (the “Writ”) issued in the Court of First Instance of the High Court of Hong Kong. Long-Lasting Properties Advisors Limited, the plaintiff (the “Plaintiff”) in the Writ claimed against Smart Trinity as the first defendant (“1st Defendant”) and the Company as the second defendant (“2nd Defendant”) for the reliefs including that the Plaintiff to recover against the 1st Defendant and/or the 2nd Defendant (i) the sum of HK\$29,697,014.79 together with interest on the sum HK\$28,080,000 at the rate of 12% per annum from 18 November 2020 until payment in full and (ii) interest at judgment rate accrued on the sum of HK\$1,617,014.79 from the date of order until payment in full secured by a legal charge dated 6 June 2019. For further details, please refer to the Company’s announcement dated 24 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND FINANCIAL OVERVIEW

For the six months ended 30 September 2020 (the “Period under review”), Prosperity International Holdings (H.K.) Limited (“Prosperity” or the “Company”) and its subsidiaries (collectively, the “Group”) recorded a net loss of HK\$158 million, against a net loss of approximately HK\$85 million for the six months ended 30 September 2019 (“the same period of the Previous Financial Year” or Previous Financial Period).

The loss for the Period under review was mainly attributable to the finance costs and the decrease in revenue due to the declining operating scale.

For the Period under review, the Group recorded loss on liquidation of a subsidiary of approximately HK\$40 million (the Previous Financial Period: Nil). A fair value loss of approximately HK\$13 million on the financial assets at FVTPL was recorded against the fair value loss of approximately HK\$36 million on the financial assets at FVTPL for the same period of the Previous Financial Year.

During the Period under review, the Group continued to suspend its business of iron ore mining and processing to minimize operating loss and only maintained its iron ore trading operations on a small scale as it was shifting the focus of its business to property investment and development. However, due to the effect of the outbreak of COVID-19, the real estate investment and development business also slowed down during the Period under review. Meanwhile, the Group already signed an agreement to sell its entire equity stake in an iron ore mining and processing business in Brazil for US\$4.5 million in April 2019. Revenue of the Group decreased by 68.7% year on year to approximately HK\$384 million, mainly resulting from the decrease in revenue of approximately HK\$373 million from the business of mining and trading of iron ore and other raw materials and approximately HK\$433 million from the business of real estate investment and development business.

For the Period under review, the Group’s property business recorded revenue of approximately HK\$109 million, which was mainly derived from the delivery of the residential units in the second phase of the Group’s 昌興壹城 (“One City”) in Binhai county, Yancheng city, Jiangsu province, the People’s Republic of China (“PRC” or “China”) to the buyers. As part of its ongoing efforts to repay short-term debts and increase liquidity, the Group has also disposed of its equity stakes in some properties or property development projects. For instance, the Group signed an agreement on 3 September 2019 to sell its 55% equity interest in a commercial and residential property called 東方文德廣場 (“Oriental Landmark”) in Guangzhou, Guangdong province for RMB800 million to its business partner who also holds an equity stake in the building. As of the date of this announcement, the transaction has not yet been completed.

Meanwhile, it has also been trying to recover prepayments made and loans granted to other companies and to decrease the operating costs.

As at 30 September 2020, the Group's total borrowings amounted to approximately HK\$1,585 million and its current liabilities exceeded its current assets by approximately HK\$2,343 million. Among the indebtedness of approximately HK\$1,585 million, including principals and interest overdue, the Group has unfulfilled obligation of approximately HK\$1,536 million as at 30 September 2020.

Although no remedies have been agreed on with the lenders, the Group has actively negotiated with them for renewal and extension of the loans (including principals and interest) that remain overdue. The board (the "Board") of directors of the Company (the "Directors") wish to point out that the Group is carrying on its businesses as usual and that the Directors consider that the current financial position of the Group does not prevent the Group from operating its normal and usual course of business.

The Group has been exploring other means of increasing liquidity to meet its financial obligations. For instance, it is seeking prospective investors who may help it conduct shareholding restructuring and recapitalisation of the Group.

Basic loss per share was 12.34 HK cents for the Period under review, compared with the basic loss of 7.07 HK cent per share for the same period of the Previous Financial Year.

The Board does not recommend payment of an interim dividend for the Period under review (the same period of the Previous Financial Year: Nil).

BUSINESS REVIEW

Real Estate Investment and Development

In its property business, the Group continued its sales efforts at the property projects that it had undertaken in China. It is also in the process of disposing of some property development projects in mainland China to raise funds to meet the enormous amounts of its overdue financial obligations.

For the Period under review, the Group's property business recorded revenue of approximately HK\$109 million, which was mainly derived from the delivery of the residential units to the buyers in the second phase of the Group's property development project, 昌興壹城 ("One City") in Binhai County, Yancheng City, Jiangsu Province, the PRC.

As part of its ongoing efforts to repay short-term debts and improve liquidity, the Group entered into an agreement on 3 September 2019 to sell its 55% equity interests in its indirect non-wholly owned subsidiary, 富春東方地產投資有限公司 (Fuchun Dongfang Real Estate Investment Company Limited*, "Fuchun Dongfang"), which holds a commercial and residential property called 東方文德廣場 ("Oriental Landmark") in Guangzhou City, Guangdong province, the PRC, for approximately RMB547 million to its non-controlling shareholder. Up to the date of this announcement, the disposal of Oriental Landmark has yet to complete.

* For identification purpose only

China's Property Market

During the Period under review, the economic environment continues to be challenging for the China's property market, clouded with the PRC-U.S. trade frictions and the global economic slowdown, the GDP of China still recorded a growth of 6.1% year-on-year in 2019. As revealed in the statistics of the National Bureau of Statistics, during the calendar year 2019, the sales amount of commodity housing was RMB15,972.5 billion, representing a year-on-year growth of 6.5%. Under the general principle of "housing is for living in, not speculation" and "stabilising land prices, housing prices, and market expectations", the China government has made a great efforts to maintain the growth of the real estate market and sustainable urban development steadily. However, the outbreak of COVID-19 slowed down the global economic growth and deferred the purchase power of real estates.

In the short term, property sales would be under pressure because of the epidemic. Nevertheless, with the government policies supporting continuous development of the real estate industry, the property sales are believed to rebound and stabilise progressively. In the medium and long term, it is believed that the foundation for a stable and healthy growth of property market remains solid in China. Furthermore, as the China government uplifted the limit on household registration for cities with permanent resident population, the growth of population in those major third- and fourth-tier cities is believed to be strong. Given its growth potential, the property market in China is expected to become a strong growth driver of the Chinese economy in the future.

In order to raise funds for repayment of overdue debts, the Group continued sales efforts at its property projects and disposed of its investment properties and equity stakes in some property projects.

Sales of residential units at property projects in Yancheng and Suzhou, Jiangsu province, the PRC and in Jakarta

1. Binhai County of Yancheng City, Jiangsu Province

In Binhai county of Yancheng City, Jiangsu Province of the PRC, the Group is now developing residential and commercial properties in a project called One City which is positioned as an urban complex in Binhai county's central business district ("CBD").

One City is developed in two phases. As of 30 September 2020, most of the 11 blocks of apartment buildings, townhouses and the shopping spaces in the first phase of the project had been sold. All presold units of apartment buildings, townhouses and shopping spaces in phase one were delivered to the buyers.

The second phase of One City will comprise residential properties of 11 blocks of apartment buildings and 32 townhouses as well as a shopping street. All the residential units in the apartment buildings, townhouses and retail spaces in the shopping street in the second phase had been presold. Specifically, the first eight blocks of apartment buildings and the townhouses were delivered to buyers during the Year. All of the residential units in the remaining three blocks of apartment buildings have been presold. Of the retail spaces in the shopping street, 20% were presold.

2. Suzhou City, Jiangsu Province

In Xishan Island, Wuzhong District, Suzhou City, Jiangsu Province of the PRC, the Group, through a 55%-owned company called 蘇州市嘉欣房地產開發有限公司 (Suzhou Jiaxin Real Estate Development Company Limited*), is developing a deluxe property project called 復園 (“Fu Yuan”) in two phases, which comprises 51 villas and a deluxe hotel.

As of 30 September 2020, several villas in the first phase of the project had been sold and delivered to the buyers. The second phase of the project is completed. The deluxe hotel is currently under construction and the interior decoration is being done.

Certain equity stakes in some property projects in Jiangsu, the PRC

1. Xuyi County of Huaian City, Jiangsu Province

The Group holds 50% equity stake in 盱眙昌興置業有限公司 (Xuyi Changxing Property Co., Ltd.*, “Xuyi Changxing Property”).

Xuyi Changxing Property owns two land lots in Xuyi County, Huaian City, Jiangsu Province, and plans to develop residential and commercial properties on them with a plot ratio of up to 2.5 and planned GFA of up to 250,000 sq.m. The project is called 盱眙昌興一城, which will be comprised of 10 residential buildings.

As of 30 September 2020, 60% of the flats in that two residential buildings were presold.

2. Suqian City, Jiangsu Province

The Group holds 48.28% equity stake in 宿遷勝達房地產開發有限公司 (Suqian Shengda Real Estate Development Co., Ltd.*, “Suqian Shengda”). Suqian Shengda owns a residential project called 江山一品 (“Imperial Land”), in which it has a land of an aggregate site area of approximately 45,214 sq.m. in Suqian City, Jiangsu Province, the PRC, certain residential units, shopping spaces and car parking spaces within the land.

The land has a site area of approximately 26,653 sq.m. for the development of the second phase of Imperial Land. The second phase of the project has a planned GFA of approximately 140,000 sq.m., and will include 4 blocks of residential buildings, an apartment building, a commercial building and car parking spaces.

The Group commenced the development of the second phase of the project in 2018. Two blocks of residential buildings were put up for presale in the fourth quarter of 2018 and another two blocks were put up for presale during 2019. Approximately 96% of the residential units in the four blocks of residential buildings were presold; and approximately 35% of the apartment building units were presold as of 30 September 2020.

* For identification purpose only

Disposal of equity stakes in some property projects in Guangdong and Zhejiang, the PRC

1. Guangzhou City, Guangdong Province, the PRC

The Group had been holding a 55% equity interest in Oriental Landmark in Guangzhou, Guangdong Province through its indirect wholly-owned subsidiary, Bliss Hero Investment Limited, but signed an agreement on 3 September 2019 to sell that equity interest in the building for RMB547 million to its business partner who also holds an equity stake in the building. The move was in line with the Group's goal of increasing its liquidity to repay due and maturing debts. The transaction has yet to be completed. For details, please refer to the announcement of the Company dated 3 September 2019 and the circular of the Company dated 25 October 2019. Up to the date of this announcement, the disposal of Oriental Landmark has yet to complete.

2. Dongguan City, Guangdong Province

On 13 March 2018, the Company sold its equity interests in a redevelopment project in Dongguan City, Guangdong Province to 東莞市萬科房地產有限公司 (Dongguan Vanke Real Estate Company Limited*, "Dongguan Vanke") and Hybest (BVI) Company Limited through disposals of its entire equity interests of the subsidiaries, Honwill Limited ("Honwill") and 東莞市敬培實業有限公司 (Dongguan Honwill Limited*, "Dongguan Honwill") for a consideration of approximately RMB830 million (equivalent to approximately HK\$946 million). Up to the date of this announcement, the transaction has not been completed but the Group has already received the installments of approximately RMB415 million (equivalent to approximately HK\$497 million). Out of the consideration of RMB830 million (equivalent to approximately HK\$946 million), in which RMB581 million (equivalent to approximately HK\$662 million) is attributable to the Group in proportion to its equity stake upon the completion of the transaction. For details, please refer to the announcement of the Company dated 13 March 2018 and the circular of the Company dated 24 May 2018.

On 24 March 2020, the Company, through its indirect wholly-owned subsidiary, entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to sell the entire interest of issued share capital of a target subsidiary, Greater Sino Investments Limited ("GSI", the holding company of Honwill and Dongguan Honwill), at consideration of approximately HK\$335 million. The transaction has not been completed. For details, please refer to the announcement of the Company dated 24 March 2020.

3. Hangzhou City, Zhejiang Province

On 23 March 2020, the Company, through its indirect wholly-owned subsidiary entered into a sale and purchase agreement to dispose of certain properties in Hangzhou City, at a consideration in the aggregate sum of approximately RMB17 million (equivalent to approximately HK\$18.9 million). The transaction was completed on 10 April 2020. The net proceeds was utilised for the repayment of an outstanding loan, thereby reducing the Group's liabilities and interest expenses. For details, please refer to the announcement of the Company dated 23 March 2020.

* *For identification purpose only*

Liquidation of a property project in Indonesia

West Jakarta, Indonesia

The Company, through an indirect wholly-owned subsidiary, holds an effective equity stake of 75% in an Indonesian incorporated company called PT. Tritama Barata Makmur (“PT. Tritama”), which owns a piece of land in the heart of the CBD of West Jakarta, Indonesia. The Group is building a condominium for residential and commercial uses on the site. Approximately 20% of the 208 residential units at the project were presold as at 30 September 2020. However, subsequent to the Period under review on 13 November 2020, due to the financial difficulties, PT. Tritama was declared bankruptcy. As a result, PT. Tritama was fully impaired as of 30 September 2020. For details, please refer to the announcement of the Company dated 16 November 2020.

Mining and Trading of Iron Ore and Raw Materials

The Group used to source iron ore mainly from third parties and used to produce the commodity at its wholly-owned mine in Sri Jaya, State of Pahang, Malaysia (the “Malaysia Mine”), which has a total mining area of approximately 420 acres and total probable reserve of 94.5 megatonnes (“Mt”) and mainly at an ore processing plant (the “Sri Jaya Plant”), which is adjacent to the Malaysia Mine. The Group had suspended the iron ore mining and processing operation since 2015 because of the drastic decline and then wild fluctuations in the iron ore price. The suspension of the operation continued as the iron ore price did not stabilize at a high enough level to make the operation profitable. This, coupled with the recent financial distress of the Group and the large operating cash requirements for resuming the iron ore mining and processing business, compelled the Group to continue the suspension of such operations.

In April 2019, the Group agreed to dispose of its entire equity stake in its 85%-held mine in Ceará, Brazil (“Brazil Mine”) for approximately US\$4.5 million (equivalent to approximately HK\$35.1 million) because of the persistently low and unstable price of iron ore, the increasingly challenging business environment and the uncertainties of the prospect of the mining business in Brazil. Up to the date of this announcement, the disposal of the Brazil Mine is yet to complete. For details, please refer to the announcement of the Company dated 3 April 2019.

Clinker and Cement Trading Business and Operation

The Group is a leading trading organization in Asia specializing in clinker, cement, granulated blast furnace slag. The Group sourced its materials predominantly from the Far East and Southeast Asia and supplied such materials to its customers in Asia Pacific during the Period under review.

The Group is well positioned to match its customers' requirement for reliable supply of high-quality materials and, at the same time, to fulfil the suppliers' need to reach out to strategic markets for their products. The Group strives to bring together a wide network of its customers and has established relationships with suppliers to create the best outcome or solution for both its customers and suppliers. The Group's customer base is comprised of operators of cement plants, cement grinding mills, or cement terminals and construction material trading agents.

The Group owns a 25% equity stake in PT Conch Cement Indonesia ("Indonesia Conch") and its subsidiaries (which are collectively referred to as "Indonesia Conch Group"). Indonesia Conch is a company incorporated in Indonesia and Indonesia Conch Group operates a cement plant in South Kalimantan, Indonesia. The cement plant is equipped with a grinding mill station, coal-fired power plant and two clinker cement production lines. Each clinker cement production line has a capacity to produce 3,200 tonnes of clinker per day. Indonesia Conch Group also owns two sets of cement grinding mills and a private jetty near Port of Merak and Jakarta-Banten Highway. The jetty consists of five berths, of which two each have a total capacity of 50,000 tonnes in deadweight tonnage.

During the Period under review, in view of the worsening business environment in Indonesia and the weak demand in clinker cement, which reflected the latest market expectations, the Group reassessed the value of its investment in Indonesia Conch. As a result, an unrealised fair value loss of approximately HK\$13 million on the said investment was recognised according to the applicable accounting standard.

MATERIAL DISPOSALS AND OTHER TRANSACTIONS

(a) Disposal of equity interests in Globest Participações Ltda

On 3 April 2019, United Goalink Limited ("UGL") and Globest Resources Limited ("GRL") (each an indirect non-wholly owned subsidiary of the Company) and Goldcoltan Minerais Ltda ("GML") and Light Engenharia E Comercio Eireli ("LEECE") (both companies incorporated in Brazil) entered into an equity transfer agreement (the "GPL Equity Transfer Agreement") pursuant to which UGL and GRL agreed to dispose of and GML and LEECE agreed to purchase 75.56% and 24.44% equity interests in Globest Participações Ltda, a company incorporated in Brazil with limited liability, respectively for the consideration in the aggregate sum of approximately US\$4.5 million (equivalent to approximately HK\$35.1 million), subject to and upon the terms of the GPL Equity Transfer Agreement. For more information about this transaction, please refer to the announcement of the Company dated 3 April 2019. As of the date of this announcement, the transaction has yet to complete.

(b) Disposal of 55% equity interests in Fuchun Dongfang Real Estate Investment Company Limited

On 3 September 2019, 廣州義德房地產開發有限公司 (Guangzhou Bliss Hero Real Estate Development Limited*, “Guangzhou Bliss Hero”), an indirect wholly-owned subsidiary of the Company, as a seller, entered into an equity transfer agreement with 廣東富春投資有限公司 (Guangdong Fuchun Investment Company Limited*, “Fuchun Investment”) as a purchaser, pursuant to the equity transfer agreement, Guangzhou Bliss Hero conditionally agreed to sell, and Fuchun Investment conditionally agreed to acquire, the 55% equity interests in 富春東方地產投資有限公司 (Fuchun Dongfang Real Estate Investment Company Limited*, “Fuchun Dongfang”), at a consideration of RMB547 million (equivalent to approximately HK\$607 million). Up to the date of this announcement, the transaction has yet to complete. For more information of this transaction, please refer to the announcements of the Company dated 3 September 2019 and 12 November 2019 and the circular of the Company dated 25 October 2019.

OUTLOOK

The outlook for business continues to be adversely impacted by the COVID-19 and the ongoing Sino-United States trade war. Such situation can lead to economic slowdown or even contraction and thus dampen the domestic demand in China. Therefore, the Group’s property sales efforts can be frustrated and the possibility of resuming its iron ore mining and processing business can be decreased.

Although the Group has adopted the strategy of shifting the focus of its business to property investment and development in recent years, it has been difficult for the Group to implement its strategy to yield significant results because of the worsening external environment as well as the financial difficulties faced by the Group.

Nevertheless, the Group will continue to try its best to restore its financial health. To raise capital to repay the overdue debts, it will press ahead with the construction of its ongoing property projects and the property sales there. Raising capital to repay an enormous amount of short-term debts will remain the Group’s first priority. The Group has entered into several agreements to dispose of its equity stakes in some businesses, some properties or property development projects, and will continue with its sales efforts at some of such ongoing projects.

In its property business, the Group will step up its sales efforts at the property projects in Yancheng and Suzhou, Jiangsu provinces, the PRC.

As to its iron ore mining and processing business in Malaysia, the Group will continue to suspend it and will consider resuming the business only market price of iron ore keep increasing and only when the Group has restored its financial health.

The Group is also exploring other means of increasing liquidity to meet its financial obligations as well as other possible measures such as shareholding restructuring and recapitalization.

* For identification purpose only

The Company is also considering filing an application, seeking, amongst other things, an order dismissing the winding-up petition filed on 28 November 2019 (the “Petition”) and seeking to discharge the joint and several provisional liquidators of the Company (the “JPLs”) from office. Upon the dismissal of the Petition and release of the JPLs (if so ordered by the Bermuda Court), the provisional liquidation will be terminated and the Board will resume full control over the affairs of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

The total shareholders’ deficit of the Group as at 30 September 2020 was approximately HK\$920 million (31 March 2020: approximately HK\$714 million). As at 30 September 2020, the Group had current assets of approximately HK\$3,772 million (31 March 2020: approximately HK\$3,491 million) and current liabilities of approximately HK\$6,116 million (31 March 2020: approximately HK\$5,717 million). The current ratio was 0.62 as at 30 September 2020 compared to 0.61 at 31 March 2020. The Group generally finances its operations with internally generated cash flow, credit facilities provided by its principal bankers in Hong Kong and the PRC and proceeds from placing of new shares, as well as the proceeds from the issuance of bonds, convertible bonds and guaranteed notes.

As at 30 September 2020, the Group’s total bank and cash balances were approximately HK\$313 million (31 March 2020: approximately HK\$223 million). Total outstanding debts as at 30 September 2020 (including bank and other borrowings, other loans, finance lease payables, convertible bonds, guaranteed notes, bonds and lease liabilities) were approximately HK\$1,585 million (31 March 2020: approximately HK\$2,004 million (including bank and other borrowings, finance lease payables, convertible bonds, guaranteed notes and bonds)).

The Group’s gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the Group’s outstanding debt less bank and cash balances, while the total capital is calculated as total equity plus net debt. The gearing ratio of the Group increased from 91% as at 31 March 2020 to 93% as at 30 September 2020.

CHARGE ON GROUP ASSETS

As at 30 September 2020, the following assets held by the Group were pledged to banks to secure banking facilities granted to the Group:

- (a) the charge over certain property, plant and equipment, investment properties, financial assets at fair value through other comprehensive income and inventories of the Group;
- (b) equity interests in certain subsidiaries of the Group;
- (c) corporate guarantee of the Company;
- (d) corporate guarantees of subsidiaries of the Group;
- (e) personal guarantee executed by Mr. Wong Ben Koon (“Mr. Wong”), Ms. Gloria Wong (daughter of Mr. Wong) and directors of subsidiaries;
- (f) deed of subordination of term loan by a related company;

- (g) certain rights of mining, processing and selling raw iron ore owned by a subsidiary; and
- (h) equity interests in certain companies executed by Mr. Wong and a related company.

HUMAN RESOURCES

As at 30 September 2020, the Group had a total of 171 staff members (31 March 2020: 178).

The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group may pay a discretionary bonus to its employees based on individual performance in recognition of their contributions and hard work. With a view to retaining certain important employees who continue to make valuable contributions to the Group, share options to subscribe for shares of the Company in accordance with the new share option scheme adopted on 25 September 2009 may be granted.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labor disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

INTERIM DIVIDENDS

No interim dividends has been declared by the Board for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

LITIGATION

Details of the outstanding litigation are set out in note 1(c) and note 16 to the unaudited condensed consolidated financial statements for the six months ended 30 September 2020.

EVENT AFTER THE REPORTING PERIOD

Details of the events occurring after the Reporting Period are set out in note 16 to the unaudited condensed consolidated financial statements for the six months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period under review, respectively.

REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with the management of the Group, the accounting principles and policies as adopted by the Company, the practices of the Group and the unaudited condensed consolidated financial statements for the six months ended 30 September 2020.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures that are consistent with the “Corporate Governance Code” (the “CG Code”) set out in Appendix 14 to the Listing Rules. The corporate governance principles of the Company emphasise on a quality board of directors, sound internal control, transparency and accountability to all shareholders of the Company.

The Board is of the view that the Company has complied with the code provisions as set out in the CG Code during the Period under review and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the required standard of dealings as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions.

Having made specific enquiry with all the Directors, each of them confirms that he/she has complied in full with the required standard of dealings regarding directors’ securities transactions throughout the Period under review.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Company (www.pihl-hk.com) and the designated website of the Stock Exchange (www.hkexnews.hk) by end of December 2020.

RESIGNATION OF CHIEF FINANCIAL OFFICER

The Board also announces that with effect from 5 November 2020, Mr. Jong Cheong Luk has resigned as the Chief Financial Officer of the Company due to his personal reason. Mr. Jong has confirmed that he has no disagreement with the Board and that there are no matters in relation to his resignation that need to be brought to the attention of the shareholders of the Company. The Board would like to express its gratitude to Mr. Jong for his efforts and valuable contributions to the Company during his tenure of office.

APPRECIATION

On behalf of the Company, I would like to express my sincere gratitude to our shareholders and business partners for their confidence and loyal support to the Group. In addition, I would like to take this opportunity to thank the management and all staff members for their dedication and valuable contribution.

Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Company's shares or other securities of the Company.

By order of the Board
Prosperity International Holdings (H.K.) Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Wong Ben Koon
Chairman

Hong Kong, 30 November 2020

As at the date of this announcement, the executive Directors are Mr. Wong Ben Koon (Chairman), Mr. Xie Qiangming (Chief Executive Officer), Mr. Nie Qiaoming and Mr. Ma Xin; and the independent non-executive Directors are Mr. Zhao Gen, Mr. Guan Guisen and Mr. Yan Xiaotian.