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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)**

#### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020**

References are made to the annual report for the year ended 31 March 2020 (the "**Annual Report**") of Prosperity International Holdings (H.K.) Limited (the "**Company**", together with its subsidiaries, the "**Group**"). Unless otherwise stated, terms used herein shall bear the same meaning as those defined in the Annual Report.

As disclosed in the Annual Report, the auditors of the Company, RSM Hong Kong (the "**Auditors**"), expressed a disclaimer of opinion (the "**Disclaimer of Opinion**") on the Company's consolidated financial statements for the year ended 31 March 2020 regarding (i) multiple uncertainties related to going concern; and (ii) impairment of properties under development for sale (the "**Audit Qualifications**"). The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to supplement the following information in relation to the above item that resulted in the Disclaimer of Opinion.

#### **The potential impacts on the Company's financial position**

Set out below are the potential impacts on the Company's financial position in relation to each of the Audit Qualifications:

(1) Multiple Uncertainties Related to Going Concern

As of 31 March 2020, the total asset of the Group is approximately HK\$6,371 million. If the Group fails to implement the plans and measures as specified under the section "Basis for Disclaimer of Opinion" in the Annual Report to improve the Group's liquidity and financial position and remedy the delayed repayments to financial institutions, the Company may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's properties, plant and equipment, right-of-use assets, other intangible assets and deferred tax assets, amounting to approximately HK\$732 million in total as of 31 March 2020 to their respective recoverable amounts or net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

Based on information available to the Auditors and the Board as of the date of the Auditors' Report (the "**Auditors' Report Date**"), the effects of such adjustments on the Group's assets could not be quantified.

(2) Impairment of properties under development for sale:

As of 31 March 2020, the value of the Group's properties under development for sale subject to completion is approximately HK\$1,267 million. If the Group fails to complete these properties under development for sale or fails to deliver the completed properties to the customers, the Group's properties under development for sale shall be adjusted to write down their carrying amounts to their recoverable amounts or net realisable amounts. Also, the Group has received several claims by the construction companies and it is expected that further litigation liabilities and further construction liabilities might arise. Based on information available to the Auditors and the Board as of the Auditors' Report Date, the effects of these adjustments to the Group's properties under development for sale could not be quantified and the Auditor was not able to ascertain if these properties under development for sale will be completed finally due to the non-repayment of construction payables.

**The Management's position and basis on major judgmental areas**

As of the Auditors' Report Date, the management of the Group ("**Management**") agreed with Auditors on each of the major judgmental areas.

## Audit committee's view

As of the Auditors' Report Date, the audit committee of the Company agreed and shared the same view with the Management position concerning major judgmental areas.

## The Company's proposed plans and timetable to address the Audit Qualification

In order for the Company to remove the Audit Qualifications, the Company will need to (i) be at least solvent in short term, meaning that its net current assets should exceed its net current liabilities amounting to HK\$2,225 million as of 31 March 2020; and (ii) to at least settle the overdue construction cost for the property development projects. To achieve the above targets, the Company intends to implement the following plans:-

	<b>Plan</b>	<b>Status</b>
(i)	Disposal of Greater Sino Investments Limited in the consideration of HK\$335 million	On-going
(ii)	Disposal of 55% equity interests in Fuchun Dongfang Oriental Landmark in the consideration of RMB800 million (equivalent to approximately HK\$880 million)	The Company is currently in negotiations with the buyer in relation to the terms of the supplemental agreement
(iii)	Accelerate the sales of inventory amounting to HK\$2,843 million	On-going
(iv)	<p>Disposal of mining and property projects in Malaysia and Indonesia</p> <p>The Company is actively seeking potential buyers who are interested in acquiring the Group's mining and property projects in Malaysia and mining projects in Indonesia so as to liquidate the Group's respective non-current assets. However, as at the date of this announcement, no formal agreements have been reached with any potential buyers.</p> <p>For the property projects in Indonesia, the relevant indirect non-wholly owned subsidiary that held interests in the property projects has been declared bankrupt. For further details, please refer to the</p>	On-going

	<b>Plan</b>	<b>Status</b>
	Company's announcement dated 16 November 2020. As of the date of this announcement, the Company does not have any update on the status of the property projects.	
(v)	<p>Evaluation on the possibility of resuming the Company's iron ore mining and processing business:-</p> <p>The Company is currently studying the feasibility to resume its iron ore mining and processing business in Malaysia. In this regard, an iron ore expert has been appointed to conduct a comprehensive due diligence on the iron ore operation to assess whether the Group should continue to develop or dispose the project.</p>	The due diligence process was commenced in 2019 but was disrupted due to the lockdown restrictions in place related to the COVID-19. As of the date of this announcement, the due diligence is still on-going and the Company expects that upon the completion of the due diligence it will be able to determine whether it is in the best interest of the Group and the Shareholders as a whole to dispose of the iron ore project or to resume its operations.
(vi)	<p>Actively seeking investors to support the Group's trading business:-</p> <p>As set out in the Annual Report, the Group's revenue is mainly derived from its mining and trading of iron ore and raw materials, sales of properties, trading of clinker, cement and other building materials. The Management is actively seeking potential investors to inject additional capital in the Company so it can further develop its trading businesses with an aim to generate more revenue.</p>	On-going
(vii)	<p>Financial restructuring of the Group:-</p> <p>The Management has and will continue to proceed with the financial restructuring of the Group, which</p>	On-going

	<b>Plan</b>	<b>Status</b>
	includes negotiation with lenders to further extend the loan repayment date such that the current liabilities can be reclassified as non-current liabilities, disposal of assets to repay the debts, exploring new investors, converting the debts into equity in order to improve the liquidity of the Group.	

## **MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED RESULTS**

Reference is made to the announcement of the Company dated 30 June 2020 in relation to the unaudited annual results for the year ended 31 March 2020 (the "**Unaudited Results**"). Since the Unaudited Results were neither audited nor agreed with the Auditors, as at the date of its publication and subsequent adjustments have been made to such information, the Board would like to provide a summary of the material differences between its unaudited and audited results.

	<b>Audited</b>	<b>Unaudited</b>	<b>Difference</b>	<i>Note</i>
	<i>HKD'000,000</i>	<i>HKD'000,000</i>	<i>HKD'000,000</i>	
Impairment losses for prepayments and loan and other receivables	(85)	(1)	(84)	<i>a</i>
Other operating expenses	(125)	(77)	(48)	<i>b</i>
Cost of goods sold	(1,511)	(1,410)	(101)	<i>c</i>
Finance costs	(527)	(584)	57	<i>c</i>
Share of losses of associates	(13)	1	(14)	
Fair value losses on financial assets at fair value through profit or loss	(56)	(36)	(20)	<i>d</i>
Gain on disposals of subsidiaries	50	(12)	62	<i>e</i>
<b>Difference in net loss</b>			<b>(138)</b>	

- a. *The difference was mainly due to certain late adjustments on the expected credit loss assessment upon the finalisation of valuation work by ROMA Appraisal Limited ("ROMA").*
- b. *The difference was mainly due to certain late adjustments on the value-in-use of the mine operation in Brazil and Malaysia upon the finalisation of valuation work by ROMA.*
- c. *The difference was mainly due to certain late adjustments on the incremental borrowing rate, which is used to quantify the capitalisation of financing component of the contract liabilities for the sales of properties, upon the finalisation of valuation work by ROMA.*
- d. *The difference was mainly due to certain late adjustments upon the finalisation of valuation work by ROMA.*
- e. *The difference was mainly due to certain late adjustments on the business enterprises' values upon the finalisation of valuation work by Grant Sherman Appraisal Limited.*

The above additional information does not affect other information contained in the Annual Report. All other information in the Annual Report remains unchanged.

**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)*  
**Xie Qiangming**  
*Chairman and Chief Executive Officer*

Hong Kong, 15 March 2021

*As at the date of this announcement, the executive Director is Mr. Xie Qiangming (Chairman and Chief Executive Officer) and the independent non-executive Director is Mr. Yan Xiaotian.*