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PT INTERNATIONAL DEVELOPMENT CORPORATION LIMITED

保 德 國 際 發 展 企 業 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

SUPPLEMENTAL ANNOUNCEMENT TO 2020 ANNUAL REPORT AND 2021 ANNUAL REPORT

Reference is made to the annual reports of PT International Development Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the years ended 31 March 2020 and 31 March 2021 published on 15 July 2020 and 20 July 2021 respectively (the "**Annual Reports**"). The board of directors of the Company (the "**Board**") wishes to provide further information in respect of (i) the significant investments held by the Group, their performance during the years ended 31 March 2020 and 31 March 2021 and the Group's strategy for these significant investments as at 31 March 2020 and 31 March 2021; and (ii) the impairment loss of investment in associate for the year ended 31 March 2020. Capitalised terms used herein shall have the same meanings as those defined in the Annual Reports unless the context requires otherwise.

* *For identification purposes only*

As at 31 March 2020 and 31 March 2021, the Group had the following significant investments held with a value of 5 per cent or more of the Group's total assets:

SIGNIFICANT INVESTMENTS

	Description of investments	Number of shares held	Investment costs	Fair value	Percentage of shares held	Size as compared to the Group's total assets	Performance/ unrealised gain (loss) recognised	Dividends received
		As at 31 March 2021					For the year ended 31 March 2021	
			HK$'000	*HK$'000*			*HK$'000*	*HK$'000*
(a)	Unlisted investment, at amortised cost – Preference shares of Thousand Vantage	100	200,000	n/a	100%	25.3%	0	4,000
(b)	Unlisted investment, at fair value – Investment in AFC Mercury Fund	18,933,287,100	133,915	197,704	29.71%	25.1%	56,935	0

	Description of investments	Number of shares held	Investment costs	Fair value	Percentage of shares held	Size as compared to the Group's total assets	Performance/ unrealised gain (loss) recognised	Dividends received
		As at 31 March 2020					For the year ended 31 March 2020	
			HK$'000	*HK$'000*			*HK$'000*	*HK$'000*
(a)	Unlisted investment, at amortised cost – Preference shares of Thousand Vantage	100	200,000	n/a	100%	36.5%	0	4,011
(b)	Unlisted investment, at fair value – Investment in AFC Mercury Fund	18,933,287,100	133,915	140,769	29.71%	25.7%	(373,271)[Note]	0

Note: AFC Mercury Fund distributed capital in cash of HK$22,085,000 during the year ended 31 March 2020 which was accounted for as a capital distribution of the investment.

Description of the investments

(a) Thousand Vantage Investment Limited ("**Thousand Vantage**") is an investment holding company. Its subsidiaries are principally engaged in the provision of petrochemical port and storage services as well as port-related services through the operation of a terminal at Yingling Terminal Operation Area of Qinzhou Port, in Guangxi, the PRC.

(b) AFC Mercury Fund principally invests in shares of companies listed on the Korea Exchange, principally STX Corporation Limited. STX Corporation Limited (stock code: 011810) is primarily engaged in the business of energy trading, commodity trading, machinery and engine trading, and shipping and logistics.

Investment strategy for these significant investments

Since Mr. Ching Man Chun, Louis, the Chairman and an executive director of the Company, joined the Board in May 2017, the Board has been actively reviewing its then investment portfolio. After due consideration, the Board is of the view that investment in port related operations remains a vital part of the growth of the Chinese economy and further believes that the petrochemical sector will yield better returns as compared with traditional cargo terminals which the Group previously held via Blue River Holdings Limited (formerly known as PYI Corporation Limited) ("**Blue River**", stock code: 498). As such, the Group has been seeking for exposure towards commodities trading, energy trading and oil and petrochemical logistics sectors, including petrochemical ports and storage, which the Board believes that these sectors will continue to be an important fuel in the growth engine of the People's Republic of China under the One Belt One Road initiative promoted by the Government of the PRC.

(a) With the intended exposure towards oil and petrochemical sector in mind, the Group advanced a loan facility of HK$200 million (the "**Loan**") to Mr. Zhu Bin ("**Mr. Zhu**"), who is the ultimate beneficial owner of Thousand Vantage, in July 2017[1]. Thousand Vantage has 75% interest in one of the PRC subsidiaries which is principally engaged in the provision of petrochemical port and storage services as well as port related services in Qinzhou, Guangxi Province, the PRC. The Group was granted the Exclusive Right during the period of six months commencing from the date of entering into the relevant loan agreement (or as may be extended) to acquire equity interest in Thousand Vantage. In April 2018, the Group subscribed for 100 non-voting redeemable preference shares (the "**Preference Shares**", each, "**Preference Share**") of Thousand Vantage for a consideration of HK$200 million by utilising the proceeds from repayment of the Loan[2]. Each Preference Share will confer the Group the right to receive a cumulative fixed preferential dividend at the rate of 2% per annum of the subscription price thereof. As a term of the relevant subscription agreement entered in April 2018, the Group was granted the Revised Exclusive Right during

1 Details are set out in the Company's announcement dated 20 July 2017.

2 Details are set out in Company's announcement dated 16 April 2018.

the period commencing from the date of issue of the Preference Shares up to the full payment of the redemption price (or as may be extended) to purchase all or part of the issued ordinary shares of and all or part of the shareholder's loan due by Thousand Vantage or to subscribe for new ordinary shares. The Group was also given the right to nominate one person to the board of Thousand Vantage and each of the subsidiaries of Thousand Vantage ("**Thousand Vantage Group**"). The Group adopted the first-debt-then-equity approach on Thousand Vantage and the Group considered this investment approach is in the best interests of the Company and its shareholders because it allows the Group to obtain a thorough understanding of the business of Thousand Vantage Group and, should it decide to invest in Thousand Vantage Group, convert the debt into equity at an appropriate time so as to mitigate investment risks and maximise potential returns.

(b) The Group has a long-term holding strategy for AFC Mercury Fund. The Group invested into the fund because the fund strategy of investing into commodities trading, Asian shipping and port related assets is in line with the Company's belief that Asia will continue to benefit from increasing global trading activities. Currently, AFC Mercury Fund primarily invests in STX Corporation Limited (stock code: 011810) which is engaged in energy and commodities trading, machinery and engine trading and shipping and logistics.

IMPAIRMENT LOSS OF INVESTMENT IN ASSOCIATES

As disclosed in the annual report for the year ended 31 March 2020, the Group recognised an impairment loss for Blue River of approximately HK$345.7 million, the Board wishes to provide the following supplementary information:

Reasons for and the circumstances leading to the impairment loss

As at 30 September 2019, the Group performed impairment assessment of its interest in Blue River under Hong Kong Accounting Standard 28 – Investments in Associates and Joint Ventures and Hong Kong Accounting Standard 36 – Impairment of Assets to determine the recoverable amount of its interest in Blue River (i.e. being the higher of the value in use and fair value less cost of disposal). In determining the value in use of its interest in Blue River, the Group estimated the present value of the estimated future cash flows expected to arise from dividends to be received from Blue River and from its ultimate disposal. The fair value less cost of disposal is determined based on Blue River's market value of listed securities as at 30 September 2019, which represented quoted prices in an active market for the identical asset directly and categorised as Level 1 of the fair value hierarchy.

As at 30 September 2019, in assessing the value in use of its interest in Blue River, the Group revised the estimate of future dividends expected from Blue River. This revision was made after considering that even after the disposal of its business in Yichang with a gain of approximately HK$60.0 million as disclosed in its interim report for the six months ended 30 September 2019, Blue River did not declare any dividends.

According to Blue River's management and discussion analysis in its annual report ("**MD&A**") for the six months ended 30 September 2019, Blue River planned to continue divestment of its Yangtze Strategy and refocus on other bulk commodities with higher growth potential, in particular liquefied natural gas as well as exploring into other alternative business opportunities with a view to enhance the Blue River shareholders' value. The Group anticipated that Blue River, through following this strategy, will refocus its businesses as highlighted in its MD&A rather than to return the gain on divestment to shareholders through declaration of dividends in the foreseeable term.

Accordingly, the Group revised the estimates of future dividends to be received from Blue River and determined that the value in use of its interest in Blue River as at 30 September 2019 amounting to approximately HK$111.4 million to be lower than its fair value less cost of disposal amounting to approximately HK$117.5 million. As such, the fair value less cost of disposal is used as the recoverable amount of the interest in Blue River. As a result, an impairment loss of HK$345.7 million was recognised in profit or loss during the six months ended 30 September 2019.

Details of the impairment assessment

Valuation Method

As the Group determined that Blue River will be returning its equity value through declaration of dividends, in assessing the value in use of its interest in Blue River, the Group estimated the present value of the estimated future cash flows expected to arise from dividends to be received from Blue River and from its ultimate disposal, which represented the expected dividend pay-outs over a twenty-year period (i.e. from the financial year ending 31 March 2020 to 31 March 2039) plus a terminal value based on the market value of Blue River as at 30 September 2019.

Bases and Assumptions and Value of Inputs

Set out below are other key bases and assumptions of the estimates and the value of major inputs of the valuation performed by the Group.

1. *Forecasted Period*

   The Group intended to hold its investment in Blue River for 20 more years and dispose of the investment at the end of the 20th year.

2. *Return on Equity*

The forecasted return on equity of Blue River is estimated by the average return on equity of Blue River over last 5 years and six months ended 30 September 2019 and adjusted to exclude one-off and non-recurring items.

3. *Forecasted profit*

The forecasted profit of Blue River is estimated by the equity attributable to owners of Blue River in the prior year multiplied by the return on equity as calculated in point 2 above. It is assumed that Blue River can generate profits based on such average return on equity for 20 years until the year of intended disposal.

4. *Forecasted dividends*

The Group estimated the dividends to be distributed by Blue River as a rate equal to the WACC of Blue River to Blue River's estimated future net asset value. The Directors of the Company assumes that in the long run, Blue River will distribute its earnings on its net asset value to its shareholders at this rate of return in their projects and investments.

In view of the aforementioned reasons for and circumstances leading to the impairment loss, the Directors of the Company anticipated that Blue River will not declare any dividends until the last 3 years of the intended timing of holding of interest in Blue River. The timing of declaration of dividends is estimated with reference to the Group's expectations of the estimated time for construction and development of liquefied natural gas and other bulk commodities businesses and for the businesses to generate sufficient profits and returns for Blue River to declare dividends.

5. *Weighted Average Cost of Capital ("**WACC**")*

In computing the present value of future cash flows, the WACC of 7% was adopted as the discount rate for the valuation. In this regard, the WACC comprises two components: the cost of equity and the cost of debt. The cost of equity was determined using the Capital Asset Pricing Model ("**CAPM**"). The cost of equity is subject to risk-free rate, beta coefficient and market risk premium.

The cost of equity was calculated using CAPM and made reference to the risk-free rate and market rate of return, which is taken from the yield rate of the 10-year Central Government Bond of the PRC and the market risk premium of the PRC as at 30 September 2019 respectively. The beta coefficients were determined by way of reference to the raw beta value as extracted from Bloomberg as at 30 September 2019.

The cost of debt (if any) was determined by referencing the bank and other borrowings per the consolidated financial statements as at 30 September 2019 of the Group.

6. *Terminal value*

The terminal value represents cash flows from ultimate disposal of the Group's interest in Blue River and is estimated by reference to the market value of listed shares of Blue River, determined by multiplying the number of shares held by the Group as at 30 September 2019 by the share price as at 30 September 2019.

As disclosed in note 17 to the consolidated financial statements of the Group for the year ended 31 March 2020 as shown in the Company's annual report published on 15 July 2020, the Directors of the Company revised their estimates of future dividends to be received from Blue River and determined that the value in use of the interest in Blue River as at 30 September 2019 to be lower than its fair value less cost of disposal. As such, the fair value less cost of disposal is used as the recoverable amount of the interest in the associate.

As the recoverable amount of the interest in Blue River is less than its carrying amount, an impairment loss of HK$345.7 million was recognised in profit or loss during the year ended 31 March 2020.

The above additional information does not affect other information contained in the Annual Reports and save as disclosed above, all other information in the Annual Reports remain unchanged.

By Order of the Board
PT International Development Corporation Limited
Ching Man Chun, Louis
Chairman and Managing Director

Hong Kong, 8 October 2021

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Ching Man Chun, Louis (Chairman and Managing Director), Ms. Xu Wei, Mr. Yeung Kim Ting and Mr. Heinrich Grabner; and three Independent Non-executive Directors, namely, Mr. Yam Kwong Chun, Mr. Wong Yee Shuen, Wilson, and Mr. Lam Yik Tung.